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ABSTRACT

This guide is intended to provide guidance to college and university business office personnel who handle recordkeeping, accounting, and other fiscal reporting functions for federal Title IV financial aid programs, as authorized by the Higher Education Act of 1965, as amended. This edition emphasizes the benefits and challenges of electronic management of Title IV programs. Chapter 1 provides an overview of federally funded student financial aid programs, explains the fiscal calendar, and defines terms such as "academic year" and "award year." Chapter 2 presents institutional Title IV operational and program requirements. Chapter 3 discusses fiscal procedures unique to obtaining authorization for Title IV campus-based funding and managing these programs; Chapter 4 provides a comprehensive discussion on projecting cash needs, drawing down funds, disbursing funds to students, and returning funds. Chapter 5 describes the fund-accounting approach used to manage Title IV program funds. Chapter 6 addresses reporting requirements for Title IV programs and the Fiscal Operations Report and Application To Participate forms. Four appendices provide (1) a glossary of terms, (2) a list of commonly used acronyms, (3) a list of other publications that supplement and support the information in this guide, and (4) a directory of contacts for technical assistance. (DB)

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The Blue Book

ED 432 208

Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs

U.S. Department of Education
Washington, DC 20202

HE 032 374

The technical information in this manual is based on laws, regulations, policies, and procedures published as of:

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I

How to Use This Book

Purpose

The primary purpose of *The Blue Book* is to provide guidance to school business office personnel who handle fiscal recordkeeping, accounting, and reporting functions for federal Title IV financial aid programs, which are authorized by the Higher Education Act of 1965, as amended (HEA). It also provides general information about Title IV programs, policies, and procedures that are useful to other institutional personnel who administer and manage Title IV programs. Some procedures discussed in *The Blue Book* are recommended to help institutions meet the fiscal responsibilities they undertake on signing a Title IV Program Participation Agreement (PPA). Other procedures described in *The Blue Book* are required by federal laws and regulations.

As postsecondary institutions and the U.S. Department of Education (ED) have moved into the electronic information age, this edition of *The Blue Book* emphasizes the benefits and challenges of electronic management of Title IV programs. The goals of any electronic-management system are to maintain accurate, well-organized records; submit required reports in an accurate and timely manner; comply with federal laws and regulations; and provide quality service to students. Further, ED now requires schools to use automated methods to meet certain Title IV requirements, such as retrieving Institutional Student Information Records (ISIRs) through the Internet, requesting and drawing down Title IV funds using ED's Grant Administration and Payment System (GAPS), reporting Federal Pell Grant disbursements through the Recipient Financial Management System (RFMS), submitting the Fiscal Operations Report and Application to Participate (FISAP) electronically, and reporting any overpayments online to the National Student Loan Data System (NSLDS). As a result, cooperation and communication across a school's administrative offices, such as the business office and financial aid office, are more important than ever. *The Blue Book* is designed to help schools achieve these goals and to use ED's automated systems successfully.

What This Book Contains

The **appendices** are designed to supplement the information presented in the main chapters of *The Blue Book.*

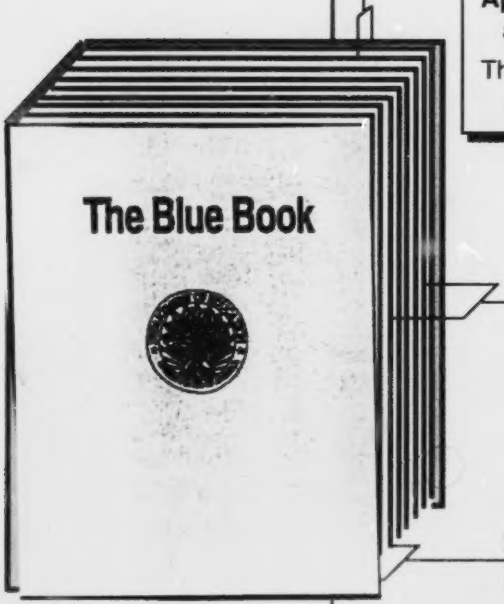
Appendix A provides a comprehensive glossary of terms related to Title IV accounting, recordkeeping, and reporting requirements.

Appendix B provides a list of commonly used acronyms.

Appendix C lists other publications that supplement and support the information provided in *The Blue Book.*

Appendix D tells you whom to contact for technical assistance.

The **Index** helps you quickly locate information in *The Blue Book.*



Chapters 4 - 6 are for anybody involved in student financial aid administration who needs in-depth information about Title IV programs.

4. **Requesting, Managing, and Returning Title IV Funds** provides a comprehensive discussion on projecting cash needs, drawing down funds, disbursing funds to students, and returning funds.
5. **Accounting Procedures for Title IV Programs** describes the fund accounting approach used to manage Title IV program funds.
6. **Title IV Funds Reporting, NSLDS, Audit and Program Reviews, and Guaranty Agency Procedures** addresses reporting for Title IV programs and the Fiscal Operations Report and Application to Participate (FISAP).

Chapters 1 - 3 are aimed at anybody who needs some background and introductory information on Title IV programs.

1. **The Student Financial Aid Programs** provides an overview, addresses the fiscal calendar, and defines terms, such as "academic year" and "award year."
2. **General Institutional Responsibilities** presents institutional Title IV operational and program requirements.
3. **Obtaining Authorization for Title IV Campus-Based Funding** addresses fiscal procedures unique to managing Title IV campus-based programs.

Using The Blue Book at Your School

The Blue Book can perform several different functions for a school. For example, it can serve as a:

- training guide for new employees (especially in conjunction with ED's Fiscal Officer Training Workshop and it's Participant's Guide),
- reference manual for any employee, and
- basis for a school's fiscal policies and procedures manual.

Regardless of how a school uses this book, remember that it is only a guide and does not replace federal laws, regulations, or generally accepted accounting principles (GAAP). School personnel are still responsible for familiarizing themselves with all relevant primary source documents.

Other Resources

A companion publication is the U.S. Department of Education's (ED's) *Student Financial Aid Handbook* (Handbook), which is a primary resource for financial aid administrators. The Handbook is mentioned frequently throughout *The Blue Book*. The Handbook consists of two core pieces and four references, which are published individually and successively by ED each year and distributed to school financial aid offices.* Fiscal office personnel should know where to locate their school's copy of the Handbook, and they might want to copy pertinent sections for their own use.

Reference:

- For information on these and other pertinent printed materials, see Appendix C of this book

Another ED publication that is vital to the work of a fiscal officer is the *U.S. Department of Education Payee Guide for the Grant Administration and Payment System (GAPS)* [GAPS *Payee Guide*]. It provides information on systems operations and procedures for federal funds paid to schools through GAPS. The *Payee Guide* helps schools fulfill their responsibilities in expediting payments, completing forms and reports, and controlling federal cash received through GAPS.

Effective Date

This edition of *The Blue Book* is written on the basis of laws, regulations, policies, and procedures in effect for the 1999-2000 award year. Schools should be aware, however, these are subject to change. It is a school's responsibility to keep abreast of such changes so that it remains in compliance with current rules.

***The two core pieces are on IFAP and paper copies will become available after this edition of *The Blue Book* is printed. Also, between June and September of 1999 the four references will come out. Later, paper copies of these references will become available.**

Comments and Suggestions on The Blue Book

Your comments and suggestions regarding any aspect of *The Blue Book* are welcome. We are particularly interested in learning:

- the purposes for which *The Blue Book* is being used (for example, reference, self-study, training new staff);
- the appropriateness of the content and the usefulness of the appendices; and
- whether you feel that this publication is among those that OSFA should update on a regular basis.

You may send your comments to *The Blue Book*, Training Branch, OSFA/ED, Room 3030, ROB-3, 400 Maryland Avenue, S.W., Washington, D.C. 20202-4731.

1

The Student Financial Aid Programs

Summary

This chapter provides an overview of federally funded student financial aid programs. The chapter begins with a discussion of Title IV of the Higher Education Act, the legislation that created these federal programs. The chapter also discusses an institutional fiscal year and explains the terms "academic year" and "award year."

Key Terms

- academic year
- administrative cost allowance (ACA)
- award year
- campus-based programs
- *Code of Federal Regulations* (CFR)
- cost of attendance (COA)
- delivery system
- Expected Family Contribution (EFC)
- federal master calendar
- Federal Pell Grant Program
- *Federal Register*
- Free Application for Federal Student Aid (FAFSA)
- gift aid
- Higher Education Act (HEA)
- Institutional Student Information Record (ISIR)
- reauthorization
- self-help aid
- Student Aid Report (SAR)
- Title IV programs

1.1 Title IV of the Higher Education Act of 1965 and Federal Regulations

Title IV of the Higher Education Act of 1965, as amended (HEA), authorizes the Federal Pell Grant, William D. Ford Federal Direct Loan, Federal Family Education Loan (FFEL), Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan Programs. These programs are collectively known as Title IV programs. They are administered by the U.S. Department of Education (ED) and provide at least $40 billion annually in financial assistance to eligible students enrolled in eligible postsecondary programs of study. Title IV programs are governed by the HEA and by policies and regulations published by ED.

Reauthorizing and Amending the HEA

Approximately every six years, Congress reviews all the Title IV programs authorized by the HEA to ensure that they are serving the purposes for which they are intended. After reviewing the programs, Congress decides whether to reauthorize them (that is, allow the programs to continue) and, if so, what changes should be enacted to serve students and the taxpayers properly and efficiently.

Congress also can make changes (or amend) the HEA between these periodic reauthorizations. This happens when Congress modifies particular HEA provisions rather than the entire law.

Title 34 of the Code of Federal Regulations

ED implements the HEA through regulations. Title IV regulations supplement the HEA; however, regulations cannot supersede any part of the law. Regulations affecting Title IV programs are contained in Title 34 of the *Code of Federal Regulations* (CFR). The sections of Title 34 that most frequently affect how schools administer federal financial aid programs are in Parts 600 and higher. When ED issues regulations, they are published in the *Federal Register*. ED posts the regulations on its Information for Financial Aid Professionals (IFAP) Web site. ED also publishes an annual compilation of current regulations called *Compilation of Student Financial Aid Regulations*.

Reference:

- http://ifap.ed.gov

Reference:

- *Compilation of Student Financial Aid Regulations*

1.2 Family Contribution, Financial Aid Application, and Delivery System

Expected Family Contribution (EFC)

The basic premise underlying Title IV programs is that a student and the student's family have primary responsibility for paying for the student's postsecondary education. Because the programs are intended to help students with financial need, eligibility for assistance from most of the programs is need based. Congress developed an Expected Family Contribution (EFC) formula to determine the financial strength of a student's family and the student's need for Title IV assistance.

Free Application for Federal Student Aid (FAFSA)

To apply for Title IV financial aid funds, students must submit a Free Application for Federal Student Aid (FAFSA). Most continuing postsecondary students may file a streamlined Renewal FAFSA. The FAFSA and Renewal FAFSA collect financial and other information from the student and the student's spouse (and parents of a dependent student) to calculate the student's EFC. The EFC represents the amount of money a student's family is expected to contribute toward the cost of the student's postsecondary education. The resulting EFC is reported on the Student Aid Report (SAR). Schools receive an electronic version of the same information, called the Institutional Student Information Record (ISIR). The EFC is used with the cost of attendance (COA) in determining an eligible student's need and the amount of aid that the student receives from each of the Title IV aid programs.

All students (undergraduate and graduate) can complete the paper, software application, or electronic versions of the FAFSA. FAFSA Express is the software application for PCs and may be obtained in diskette format or downloaded from the Internet. FAFSA on the Web is a dedicated Web site where students can apply on the Internet. Schools can also transmit students' FAFSAs through ED's Electronic Data Exchange (EDE). Students may use the condensed Renewal FAFSA to file after the first time. Each format has renewal options, except FAFSA Express.

Delivery System

The "delivery system" refers to the process by which students apply for financial aid, are awarded federal funds, and use those funds to pay the costs of attendance they incur when they enroll in an eligible program of study.

Title IV programs may be categorized as either "gift aid" or "self-help aid." Gift aid consists of grants and scholarships that are given to students; it does not have to be repaid. Self-help aid takes the form of loans (which must be repaid) and employment (which pays students wages for hours worked at jobs provided on campus or off campus).

The sections that follow provide a brief overview of ED's federal financial aid programs. For more complete information, please refer to the *Student Financial Aid Handbook*.

1.3 Federal Pell Grant Program

Federal Pell Grants are gift aid and available to eligible undergraduate students who have not yet received a bachelor's degree or professional degree, are enrolled in a degree or certificate program, and meet other program eligibility requirements, including financial need.

Reference:

- *Student Financial Aid Handbook: Federal Pell Grant Program Reference*
- 34 CFR Part 690

New

Reference:

- HEA, Part A

ED, on a case-by-case basis, may provide a Federal Pell Grant to students enrolled in a teacher certification program. These students must be enrolled:

- at least half time,
- at a school that does not offer a baccalaureate degree in education,
- in a postbaccalaureate program not leading to a graduate degree, *and*
- in teacher certificate courses required by a state to teach in that state.

Various components determine the amount of a student's award, including EFC; COA (tuition, fees, room and board, and so forth*); enrollment status; and the length of the program of study. Funds that an eligible student receives from this program do not have to be repaid. Each participating institution may claim an administrative cost allowance (ACA) for administering the Federal Pell Grant Program.

***The Higher Education Amendments of 1998 include a provision for a reasonable allowance for the documented purchase or rental of a personal computer.**

1.4 The Campus-Based Programs

Reference:

- *Student Financial Aid Handbook: Campus-Based Programs Reference*
- 34 CFR Part 673

The Federal Perkins Loan, Federal Work-Study (FWS), and Federal Supplemental Educational Opportunity Grant (FSEOG) Programs are referred to as campus-based programs because ED allocates these funds to participating institutions on the basis of their FISAPs. The schools then manage the programs and award funds to students on behalf of ED. Students must complete a FAFSA or Renewal FAFSA each year to apply for these funds. Schools award the funds to eligible students according to federal laws and regulations. Each participating institution may claim an ACA for administering each campus-based program.

Federal Perkins Loan Program

Reference:

- HEA, Part E
- 34 CFR Part 674

Federal Perkins Loans are low-interest (5 percent) student loans that participating schools make to eligible undergraduate and graduate students. No interest accrues on a loan while a student is enrolled at least half time in an eligible program. A school must give priority to students who demonstrate exceptional financial need as defined by the school.

Federal Work-Study (FWS) Program

Reference:

- HEA, Part C
- 34 CFR Part 675

The Federal Work-Study (FWS) Program provides on-campus jobs and off-campus jobs for undergraduate and graduate students.

New!

Beginning with the 2000-01 award year, which begins July 1, 2000, a school must use at least 7 percent of its total FWS allocation for an award year to pay students employed in community-service activities, unless ED approves a waiver. Further, at least one community-service project must be in reading tutoring or family literacy and employ FWS students. Students must be paid at least the current federal minimum wage, and the institution or off-campus employer pays a portion of their wages.

America Reads Challenge

Schools are encouraged to place FWS students as reading tutors of preschool-age children and children in elementary school as part of their efforts to support the America Reads Challenge. For schools that participate, ED authorizes a 100 percent federal share of such students' FWS wages. Students must perform the work for the school itself; a federal, state, or local public agency; or a private nonprofit organization.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program

Federal Supplemental Educational Opportunity Grants (FSEOGs) are gift aid and do not have to be repaid. These funds are for undergraduate students with financial need who have not yet received a bachelor's degree or a first professional degree. When selecting FSEOG recipients, a school must make awards first to applicants with exceptional financial need and give priority to applicants who receive Federal Pell Grants.

Reference:

- *Student Financial Aid Handbook: Campus-Based Programs Reference*
- HEA, Part A
- 34 CFR Part 676

1.5 Major Loan Programs

The largest amounts of Title IV funds come from the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program.

William D. Ford Federal Direct Loan Program

The William D. Ford Federal Direct Loan (Direct Loan) Program consists of the Federal Direct Stafford/Ford Loan (Direct Subsidized Loan) and Federal Direct Unsubsidized Stafford/Ford Loan (Direct Unsubsidized Loan), Federal Direct PLUS Loans (Direct PLUS Loan), and Federal Direct Consolidation Loans (Direct Consolidation Loan). Direct Subsidized, Direct Unsubsidized, and Direct Consolidation Loans are for students, while Direct PLUS and Direct Consolidation Loans are available for parents. The federal government makes Direct Loans to eligible undergraduate and graduate students and their parents through financial aid offices at participating schools. Generally, subsidized Direct Subsidized

Reference:

- *Student Financial Aid Handbook: Direct Loan and FFEL Programs Reference*
- HEA, Part D
- 34 CFR Part 685

Loans and Direct Unsubsidized Loans are made to eligible students enrolled at least half time in an eligible program of study, and Direct PLUS Loans are made to eligible parents of dependent undergraduate students enrolled at least half time in an eligible program of study. These loans can also be made to students to cover coursework necessary as a prerequisite to enroll in an eligible program or for teacher certification programs.

Interest Subsidy

Borrowers are not charged interest on Direct Subsidized Loans during certain periods, such as when they are enrolled at least half time and during grace periods and deferment periods.

Because the federal government subsidizes the interest on students' Direct Subsidized Loans, students must show financial need to qualify for these loans. The student's COA, EFC, and the amount of other aid the student is receiving determine the loan amount.

Eligibility for *unsubsidized* loans (Direct Unsubsidized Loans and Direct PLUS Loans) is not determined on the basis of financial need. All or a portion of a Direct Unsubsidized Loan or Direct PLUS Loan can replace a student's EFC. Borrowers are charged interest on Direct Unsubsidized Loans and Direct PLUS Loans throughout the lives of the loans.

ED's Direct Loan Servicing Center (DLSC) services all Direct Loans and collects payments from borrowers.

Direct Consolidation Loan

A Direct Consolidation Loan is designed to help student and parent borrowers simplify loan repayment by consolidating their federal student loans so that they make only one payment each month. Students can consolidate subsidized and/or unsubsidized Direct Loans and parents can consolidate PLUS Loans. The Direct Loan Consolidation program offers a number of repayment options.

Federal Family Education Loan (FFEL) Program

The Federal Family Education Loan (FFEL) Program consists of subsidized and unsubsidized Federal Stafford Loans (for students), Federal PLUS Loans (for parents), and FFEL Consolidation Loans (for both students and parents). Participating lending institutions, such as banks, credit unions, and the like make these loans, which are guaranteed by state or national guaranty agencies and underwritten by the federal government. FFEL Program loans are made to eligible undergraduate and graduate students enrolled at least half time in an eligible program or, in the case of Federal

Reference:

- *Student Financial Aid Handbook: Direct Loan and FFEL Programs Reference*
- HEA, Part B
- 34 CFR Part 682

PLUS Loans, to the eligible parents of dependent undergraduate students enrolled at least half time in an eligible program.

Interest Subsidy

The federal government pays the interest on *subsidized* Federal Stafford Loans during certain periods, such as when a borrower is enrolled in school, during a deferment, and during a borrower's grace period preceding repayment. A borrower makes payments to his or her lender (or to a servicing agent employed by the lender), unless the lender sells the borrower's loan to a secondary market. Then, the secondary market becomes the holder of the loan and the borrower makes his or her payments to the new loan holder.

Because the federal government pays the interest on *subsidized* Federal Stafford Loans, students must show financial need to qualify for these loans. The student's COA, EFC, and the amount of other aid the student is receiving determine the loan amount.

Eligibility for *unsubsidized* loans (unsubsidized Federal Stafford Loans and Federal PLUS Loans) is not determined on the basis of need, and all or a portion of these loans can replace a student's EFC. A borrower is responsible for paying all interest on an unsubsidized Federal Stafford Loan or a Federal PLUS Loan.

FFEL Consolidation Loan

A FFEL Consolidation Loan is designed to help student and parent borrowers consolidate several types of federal student loans with various repayment schedules into one loan. Borrowers make only one payment a month, and the interest rate may be lower than for other federal student loans. There are two types of FFEL Consolidation Loans: subsidized and unsubsidized.

1.6 Other Title IV Programs

Leveraging Educational Assistance Partnership (LEAP) Program (formerly State Student Incentive Grant [SSIG] Program)

The Leveraging Educational Assistance Partnership (LEAP) Program assists states in providing grants to eligible students who attend postsecondary schools and who have financial need. Each state receives an annual allocation of federal LEAP funds that must be matched with a certain amount of state funds. The name of the program, amount of funds available, application procedures, and other aspects of the LEAP Program

Reference:

- *Student Financial Aid Handbook: State Grant Programs Reference*
- HEA, Part A, Section 415 E and F
- 34 CFR Part 692
- DCL GEN 98-28

may vary from state to state. For specific information about the LEAP Program in your state, contact your state education agency.

Special Leveraging Educational Assistance Partnership (SLEAP) Program

When Congress appropriates amounts in excess of $30 million for the LEAP Program, those excess funds must be applied to the Special Leveraging Educational Assistance Partnership (SLEAP) Program. Although presently unfunded, the SLEAP Program authorizes states to use the funds for any or all of the following eight activities:

- increasing the dollar amount of grants under the LEAP Program,
- carrying out transition programs from secondary school to postsecondary education for needy students,
- carrying out a financial program for needy students who wish to enter careers in information technology or other fields determined by the state to be needed in its workforce,
- making funds available for community service work-study activities for needy students,
- creating a scholarship program for needy students who wish to be teachers,
- creating a scholarship program for needy students who wish to enter a degree program in mathematics, computer science, or engineering,
- carrying out early intervention, mentoring, and career education programs, and
- awarding merit or academic scholarships to needy students.

The maximum federal share under the SLEAP Program is 33 1/3 percent. Funds will be allocated to states in the same manner as LEAP, and these funds will pay the federal share of costs for any or all of those authorized program activities. States will be required to assure ED that they are matching expenditures of nonfederal funds according to program requirements.

Reference:

- *Student Financial Aid Handbook: State Grant Programs Reference*
- HEA, Part A, Section 419 A-K
- 34 CFR Part 654

Robert C. Byrd Honors Scholarship Program

This program provides federal grants to states so that scholarships may be made to exceptionally able students for postsecondary study. The purpose of the program is to promote academic excellence and achievement. Each state establishes its own application procedures for Byrd Scholarships. For specific information about how the Byrd Scholarship Program is administered in your state, contact your state education agency.

New

Reference:

- HEA, Part A, Section 404 A-H
- See Appendix A of this book for further details on GEAR-UP.

***Please note that the former NEISP provisions make up only a small part of the GEAR-UP provisions.**

Gaining Early Awareness and Readiness for Undergraduates Program (GEAR-UP)

Gaining Early Awareness and Readiness for Undergraduates Program (GEAR-UP) replaced the National Early Intervention Partnership and Scholarship Program (NEISP)*. Certain GEAR-UP provisions allow states to receive grants that:

- provide or maintain a guaranteed amount of financial assistance necessary to permit eligible low-income students who obtain high school diplomas or the equivalent to attend institutions of higher education;
- provide financial incentives in cooperation with local educational agencies, institutions of higher education, community organizations, and businesses; *and*
- provide a variety of early-intervention services.

New

Reference:

- HEA, Part A, Sections 406A-407E

Academic Achievement Incentive Scholarship Program

The purpose of Academic Achievement Incentive Scholarships is to help financially needy students who have demonstrated their academic abilities. The scholarships are for students who are eligible for Federal Pell Grants and graduate after May 1, 2000 in the top 10 percent of their high school graduating class. The scholarship equals up to the amount of the Federal Pell Grant for which the student is eligible, which can result in doubling the student's grant amount. However, this program is currently unfunded by Congress.

1.7 Other Federal Student Aid Programs

In addition to the Title IV programs described previously, there are other federal financial assistance programs for students.

AmeriCorps

AmeriCorps, a program of national and community service, provides full-time education awards of up to $4,725 a year. Individuals may work before, during, or after their postsecondary education and can use the funds either to pay current or future education expenses or to repay federal student loans. Participants must be high school graduates, have GEDs, or be working toward their GEDs. For more information students may call 1-800-942-2677 or write to:

The Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

Reference:

- www.americorps.org

The Hope Scholarship

The Hope Scholarship is really a federal tax credit authorized by Congress in the Taxpayer Relief Act of 1997. For students in the first two years of postsecondary school, taxpayers are eligible for a tax credit equal to 100 percent of the first $1,000 of tuition and fees and 50 percent of the second $1,000 (the amounts are indexed for inflation after 2001). The credit became available on a per-student basis for net tuition and fees (less grant aid) paid for college enrollment after December 31, 1997. The credit is phased out for joint filers who have between $80,000 and $100,000 of income and for single filers who have between $40,000 and $50,000 (indexed after 2001). The credit can be claimed in two taxable years (but not beyond the year when the student completes the first two years of college) for any individual enrolled on at least a half-time basis for any portion of the year.

Schools must report certain information to students and the Internal Revenue Service (IRS), such as students' tuition and fees. Specific institutional reporting requirements are published by IRS.

Reference:

- 26 CFR, Part 1, 1.25A-3, (Department of the Treasury: Internal Revenue Service-Education Tax Credits) of January 6, 1997, NPRM
- DCL ANN-98-16

Reference:

- www.ed.gov/inits/hope

Lifetime Learning Credit

The Lifetime Learning Credit is also a federal tax credit authorized in the Taxpayer Relief Act of 1997. It is for students beyond the first two years of college or taking classes part-time to improve or upgrade their job skills. Families receive a 20 percent tax credit for the first $5,000 of tuition and fees through 2002, and for the first $10,000 thereafter. The credit is available for net tuition and fees (less grant aid) paid for postsecondary enrollment after June 30, 1998. The credit is available on a per-taxpayer (family) basis, and it is phased out at the same income levels as the Hope Scholarship.

Reference:

- 26 CFR, Part 1, 1.25A-4, (Department of the Treasury: Internal Revenue Service-Education Tax Credits) of January 6, 1997, NPRM
- DCL ANN-98-16

Reference:

- www.ed.gov/inits/hope

Like the Hope Scholarship, schools must report certain information to students and the IRS, such as students' tuition and fees. Specific institutional reporting requirements are published by the IRS.

Programs Funded by the U.S. Department of Health and Human Services (HHS)

Reference:

- www.hrsa.dhhs.gov/bhpr/dsa

The U.S. Department of Health and Human Services (HHS) offers a variety of financial aid programs for students who are interested in becoming health professionals, such as physicians, nurses, and dentists. Some of the programs require students to make a commitment to work as a health-care provider in an area of need, such as in a geographically underserved area.

1.8 The Fiscal Activity Calendar

Fiscal activities managed by postsecondary institutions occur at various points during the academic year, the award year, and the fiscal year.

The Academic Year

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- HEA, Section 481
- 34 CFR 668.2(b)(1)(i)(ii)

The HEA establishes the definition of an academic year. ED regulations guide schools in complying with the definition.

Every eligible program, including graduate programs, must have a defined academic year that contains a minimum of 30 weeks of instructional time. In addition, for undergraduate programs, an academic year must contain at least 30 weeks of instructional time during which a full-time undergraduate student must be expected to complete at least 24 semester or trimester hours, 36 quarter hours, or 900 clock hours, as appropriate. A school may determine the amount of work a full-time graduate or professional student is expected to complete over an academic year.

Reduction of Academic Year

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- HEA, Section 481
- 34 CFR 668.3(a)(1)

ED may grant waivers of the 30-week requirement for schools that provide two-year or four-year programs of study for which they award associate or baccalaureate degrees. ED may grant a reduction in the length of an academic year to no less than 26 weeks of instructional time.

- If an reduction is approved, a school is permitted to have an academic year of less than 30 weeks of instructional time (not less than 26 weeks) without reducing the amount of Title IV funds that a student enrolled in an eligible program is eligible to receive for an entire academic year.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- *34 CFR 668.3(c)(1)(i-iv)*

A reduction is available to schools that want to begin or continue to operate with a reduced academic year on a long-term basis. This reduction must be renewed each time a school is required to apply for recertification.

When evaluating a school's application for a reduction, ED will consider such factors as:

- The school's compliance with awarding and disbursement procedures based on the academic year requirements of the HEA,
- The approval of the academic year by the school's accrediting agency or state agency,
- The hours of attendance and other coursework that a full-time student is required to complete in the academic year, *and*
- Any unique circumstances that justify granting the request.

ED has granted this waiver to very few schools. Schools can request the waiver by two methods. One method is submitting their request to either of the following addresses:

By U.S. Postal Service: U.S. Department of Education
Institutional Participation and Oversight Service
P.O. Box 44805
L'Enfant Plaza Station
Washington, DC 20026-4805

By commercial overnight mail or courier delivery:

U.S. Department of Education
Institutional Participation and Oversight Service
7th and D Streets, S.W.
GSA Building, Room 3514
Washington, DC 20407

Reference:

- www.eligcert.ed.gov

Reference:

- See Appendix D for further details on Case Management Teams.

The other method is submitting their request electronically at www.eligcert.ed.gov. The school must complete questions 1 and 69 *and* the signature page at this Web site. With either method, the school must submit documentation supporting its request for the waiver. If a school has questions regarding the waiver, the school should contact the Case Management Team that serves its state.

A school may have different academic years for different programs, but must use the same academic year definition for:

- calculating all Title IV awards for students enrolled in a particular program and

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

- all other Title IV program purposes, such as certification of loan deferments.

To determine the number of weeks of instructional time, a school must count the period that begins on the first day of classes and ends on the last day of classes or examinations.

Clock-Hour and Term-Based Programs

Reference:

- 34 CFR 668.8(3)(i)

For educational programs using semesters, trimesters, or quarters *or* clock hours, a week of instructional time is defined as any consecutive 7-day period in which at least one day of regularly scheduled instruction, examinations, or preparation for examinations occurs.

Nonterm Credit-Hour Programs

Reference:

- 34 CFR 668.8(3)(ii)

For educational programs measured in credit hours without standard terms (semesters, trimesters, or quarters), a week of instructional time is defined as any consecutive 7-day period in which at least 12 hours of instruction, examinations, or preparation for examination occurs.

The Award Year

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- HEA, Section 481

Funds are appropriated by Congress for a specific financial aid award year. That year is the 12-month period during which postsecondary institutions disburse Title IV and other federal financial aid funds to students. The award year runs from July 1 of one calendar year to June 30 of the next calendar year.

- For example, the 1999-2000 award year begins on July 1, 1999 and ends on June 30, 2000. Immediately following the end of the award year, schools must file reports on that award year's activities.

For any award year, financial aid application processing begins on January 1 of the calendar year in which the award year begins; financial aid payment processing ends on September 30 of the calendar year in which the award year ends.

- For example, for the 1999-2000 award year, processing begins on January 1, 1999 and ends on September 30, 2000.

The Fiscal Year

The fiscal year is defined by the institution. Examples of commonly used fiscal year periods are—

- January 1 to December 31 (the calendar year),
- July 1 to June 30 (the financial aid award year), and
- October 1 to September 30 (the federal fiscal year).

For many institutions, the school fiscal year differs from the federal fiscal year.

Reference:

- HEA, Section 482

The Federal Master Calendar

To ensure timely delivery of Title IV funds to students, federal law requires that ED adhere to a master calendar when developing required publications, communicating with postsecondary institutions, issuing regulations, and performing other activities necessary to both ED's and institutions' administration of Title IV programs.

For allocations of campus-based and Federal Pell Grant funds, the law mandates that ED adhere to the following master calendar dates in the year preceding the award year.

- August 1—distribution of application for campus-based funds (Fiscal Operations Report and Application to Participate or FISAP) to institutions
- October 1—final date for institutions to submit FISAP to ED
- November 15—ED sends FISAP edits to institutions
- December 15—institutions return any needed FISAP edits to ED
- February 1—institutions receive tentative ED award levels for campus-based programs; institutions also receive final Federal Pell Grant Program Payment and Disbursement Schedule
- February 15—closing date for institutional appeals of campus-based awards ED to be received by ED
- March 1—appeals process completed
- April 1—final award notifications for campus-based programs sent to institutions by ED
- June 1—Federal Pell Grant Program authorization levels sent to institutions by ED

Reference:

- HEA, Section 482

The master calendar also requires that regulations affecting a given award year be published by ED no later than November 1 of the preceding calendar year.

- For example, for the 2000-01 award year, all final regulations must be issued on or before November 1, 1999. These regulations may take effect no earlier than July 1, 2000.

2

General Institutional Responsibilities

Summary

This chapter discusses the broad range of responsibilities of schools participating in Title IV student financial aid programs (Title IV programs). It presents information about institutional fiscal operations and network of responsibilities, institutional eligibility, financial responsibility, administrative capability (including separation of functions), and other areas such as consumer information, institutional policies and procedures, program evaluation, refunds and repayments, record maintenance, and disclosing student information.

Key Terms

Access America for Students
administrative capability
Campus Security Act
composite score
data universal numbering system (DUNS)
equity ratio
Family Education Rights and Privacy Act (FERPA)
financial responsibility
leave of absence
Modernization Blueprint
net income ratio
primary ratio
Project Easy Access for Students and Institutions (EASI)
refund
repayment
return of Title IV funds
Student Right-To-Know Act
unearned aid
withdrawal date

2.1 Overview of Fiscal Operations and the Network of Responsibilities

The term "fiscal operations" encompasses a broad range of processes. For the Title IV programs, these include, but are not limited to:

- requesting funds from the federal government,
- disbursing funds to eligible students and parents,
- keeping accurate and auditable financial records,

- managing cash,
- accounting for funds and financial activities, and
- reporting on these activities.

Schools organize and manage their fiscal operations differently, depending on such factors as the size of the school administrative structure, staffing, automation, and federal program participation. Although fiscal operations can vary from school to school, successfully managing Title IV programs at any school depends on coordinated efforts across institutional offices. To illustrate this network of responsibilities, consider the relatively routine activity of managing Federal Work-Study (FWS) time sheets for student employees. Your process probably demonstrates the interdependence of various offices at your school, as completing the FWS questionnaire on the next page will show you.

Reference:

- www.aicpa.org

Coordination has become increasingly important as automated systems have replaced paper-based ones. Automated systems bring many benefits, such as enhanced data integrity and speedy data exchange. However, they also present challenges; the most critical, perhaps, is that automation can blur responsibility for functions that must be kept separate, such as awarding and disbursing financial aid awards. The American Institute of Certified Public Accountants provides guidance on these and other management, accounting, and auditing issues.

Managing Title IV Programs

Managing Title IV financial aid is an institution-wide responsibility. The entire school benefits from the Title IV programs. Therefore, all offices at a school need to work together. However, managing Title IV programs includes three main functional areas:

- the president's office,
- the financial aid office, and
- the business (bursar's) office.

As mentioned earlier in this chapter, schools differ in how they divide these functions among administrative offices. However, the president's office, the financial aid office, and the business office always play key roles.

Network of Responsibilities—FWS Questionnaire

The Federal Work-Study (FWS) time sheet requires an oversight signature.

- Who is authorized to sign and certify that a student's work was performed in a satisfactory manner? ________________

Students must remain eligible from one term to the next.

- Who monitors student eligibility and academic progress? ________________

Some eligibility requirements are school policies.

- Who develops these policies for the school? ________________

Students are paid their wages on the basis of their time sheets.

- Who collects the time sheets from students? ________________
- Who processes the payroll? ________________
- Who reconciles the payroll to the time sheets? ________________

Students may only earn up to the amount of their authorized FWS awards.

- Who determines the amount of the award? ________________
- Who monitors students' earnings to ensure that they do not earn in excess of that amount? ________________

All schools are required to spend at least 7 percent of the federal allocation of their FWS funds to employ students in community-service positions.

- Who locates and develops these jobs? ________________
- Who monitors the percentage of funds used for these jobs? ________________

Student earnings are part of the institution's overall FWS budget.

- Who develops the budget? ________________
- Who monitors expenditures? ________________

Schools that receive FWS funds are required to apply for those funds and to report to ED on the use of those funds.

- Who completes the application? ________________
- Who completes the report? ________________

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The Administrative Office

Responsibility for overall administration resides with the school's president, chancellor, or chief executive officer (CEO). The leadership and management style of the person in this position sets the tone and direction of the financial aid program for the entire institution.

Although authority and responsibility is delegated to other offices, the leadership and support of the CEO/president are crucial to successfully administering Title IV programs. By recognizing the importance of federal aid programs, making Title IV program administration a high priority, and holding key officials accountable, CEO/president leadership can foster an environment that promotes an effective and responsive financial aid program that meets institutional goals, students' needs, and federal requirements.

The checklist on the next page lists the responsibilities of the CEO/ president.

The CEO/president must ensure that a school...

- ☐ is financially responsible to administer Title IV programs
- ☐ is administratively capable of administering Title IV programs
- ☐ has a capable individual to administer Title IV programs and coordinate federal and nonfederal financial aid programs
- ☐ has an adequate number of qualified staff to administer Title IV programs
- ☐ has established clear lines of responsibility among the pertinent school offices
- ☐ has good communication and cooperation among personnel in the pertinent school offices
- ☐ maintains effective record-keeping systems for both student records **and** financial records
- ☐ has an adequate system of checks and balances to ensure separation of award functions from disbursement functions
- ☐ has accurate information about student applicants for Title IV aid and resolves any discrepancies or inconsistencies
- ☐ provides adequate financial aid and debt management counseling to students
- ☐ refers any suspected cases of Title IV fraud, abuse, or misrepresentation to ED's Office of Inspector General (OIG)
- ☐ obtains a letter of credit (LOC)[1] (if the school has failed to meet the standards of financial responsibility)
- ☐ has an independent auditor perform an annual nonfederal audit of the school's Title IV financial operations[2]
- ☐ cooperates fully with any program reviews or audits and makes available all necessary information to the reviewers or auditors
- ☐ has no criminal or fraudulent activities occur as it manages federal funds **and** administers Title IV programs
- ☐ has established reasonable standards of satisfactory academic progress (SAP) for students
- ☐ has established a fair and equitable refund policy
- ☐ has an operable and accessible drug-abuse prevention program, as required by the Drug-Free Schools and Communities Act
- ☐ is a drug-free workplace, as required by the Drug-Free Workplace Act
- ☐ makes available all published information required by the Student Right-to-Know and Campus Security Act and any other pertinent laws and regulations
- ☐ provides the services described in its publications

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1. This is an ED requirement. A school would obtain the LOC from a bank or other financial institution in the amount of a specific percentage of the school's last year's Title IV program drawdown. If it is a new school, the LOC would be in the amount of the estimated/anticipated Title IV program drawdown. The LOC would be payable to ED, and ED would draw on the LOC if there is cause. While the school may contest ED's action to draw LOC funds, ED gets to hold these funds while the school protest is processed. Although ED no longer requires that a school obtain a fidelity bond, the school may choose to obtain one as a good business practice to protect itself against improper actions of employees, board members, and so on.

2. If a school receives less than $200,000 in Title IV funds annually in each of the two award years prior to the audit period, ED may authorize it to have audits every three years if the school submits a letter of credit for not less than one-half of its annual potential liabilities as determined by ED. In addition, schools that are subject to A-133 and have under $300,000 in Title IV funds are completely exempt from an annual audit. However, if the schools have audited financial statements done for them, ED can ask for them.

The Financial Aid Office

While a school's financial aid office assumes most of the responsibility for administering Title IV programs, its role in the institution's fiscal operation is usually a limited one. See the checklist below for a list of fiscal functions carried out by financial aid administrators.

A school's financial aid office must...

☐ advise and counsel students and parents about financial aid

☐ provide students with consumer information, as required by federal regulations

☐ develop written policies and procedures about the way the school administers Title IV programs

☐ determine students' eligibility for financial aid

☐ make financial aid awards to students

☐ coordinate financial aid activities with those of other school offices in administering financial aid programs

☐ interact with various outside groups, agencies, associations, and individuals about issues concerning the school's administration of financial aid programs

☐ monitor students' satisfactory academic progress (SAP)

☐ maintain school records **and** student records that document activities of the financial aid office and provide data for reports

☐ keep current on changes in laws and regulations to ensure that the school remains in compliance

☐ assist in reporting Pell Grant expenditures

☐ manage and report on activities that involve financial aid funds

☐ assist in reconciling loan records (for schools that participate in the Direct Loan Program)

☐ reconcile student financial aid data provided to the business office to ensure that all payments have been made, refunds have been accounted for, and expenditures have been reported

☐ adhere to the principle of separation of functions (no single office or individual may authorize payments **and** disburse Title IV funds to students)

☐ perform (limited) fiscal operations, such as

- authorizing payment of Title IV funds to student accounts or to students directly
- authorizing refunds to students
- authorizing refunds to Title IV program accounts
- ensuring that the school collects any required repayments
- coordinating submission of the Fiscal Operations Report and Application to Participate (FISAP)

☐ provide entrance and exit counseling to borrowers of FFEL Program loans and Direct Loan Program loans as part of the award and delivery process[1]

☐ provide entrance and exit counseling to borrowers of Federal Perkins Loans as part of the award and delivery process[1]

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[1] At some schools, these activities are performed by the business office. See page 2-8.

The Business Office

Title IV-related fiscal operations are handled by an institution's business office. This office may go by another name—fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. For the duration of this book, this office will be referred to simply as "the fiscal office" or "the business office."

The business office provides critical services to the school in managing both federal and nonfederal financial aid programs. Maintaining accounting, record keeping, and reporting functions tied to the institution's use of federal and other funds requires many detailed, complex systems. Strong internal controls and sound business and financial management practices are keys to the success of these operations and delivery of funds to students.

The checklist on the next page lists some of the major responsibilities of the fiscal office.

A school's business office must...

☐ coordinate activities and cooperate with the financial aid office in:
- projecting cash flow needed to cover awards
- processing cancellations and refunds
- obtaining authorization to pay Title IV funds
- being aware of the changes in Title IV laws and regulations
- submitting accurate and timely reports
- reconciling with the financial aid office to ensure that all financial aid adjustments have been properly recorded

☐ maintain a system of internal controls that includes adequate checks and balances

☐ ensure that the functions of authorizing and disbursing Title IV funds remain separate

☐ maintain records according to federal and generally accepted accounting procedures (GAAP)

☐ maintain records to ensure a clear audit trail

☐ draw down and return Title IV funds

☐ disburse funds to eligible students from Title IV program accounts

☐ maintain individual student accounts that record changes, credits, and amounts due (if the school uses individual student accounts)

☐ deliver FFEL Program loan proceeds

☐ collect Federal Perkins Loans[1]

☐ establish and implement the institution's refund policy

☐ establish and monitor Federal Work-Study (FWS) payroll and time sheets

☐ process refunds and credit balances to Title IV accounts according to the institution's refund policy and applicable federal laws and regulations

☐ assist in reporting Title IV expenditures to ED in a timely manner

☐ reconcile accounts, including
- reconciling cash between school records and bank statements
- reconciling federal funds between bank statements and federally reported balances

☐ assist in completing applications and fiscal reports for federal funds

☐ maintain a cash management system to meet disbursement requirements and federal laws and regulations

☐ provide general stewardship for federal funds, including maintaining bank accounts and investments as appropriate

☐ prepare for and participate in program reviews and audits

☐ provide entrance and exit counseling to borrowers of FFEL Program loans and Direct Loan Program loans as part of the disbursement process[2]

☐ provide entrance and exit counseling to borrowers of Federal Perkins Loans as part of the disbursement process[2]

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[1] At some schools, a separate student loan office collects these loans.

[2] At some schools, these activities are performed by the financial aid office (see page 2-6). In addition, the business office may be responsible for administering other aspects of the Federal Perkins Loan Program. While the financial aid office may be responsible for awarding Perkins Loan funds, the business office may be responsible for collecting and handling promissory notes, billing borrowers in repayment, collecting payments, authorizing deferments, cancelling loans, and reporting Perkins Loans to NSLDS.

2.2 Institutional Eligibility

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

To participate in any Title IV program(s), an institution must:

- meet the standards for an eligible institution,
- demonstrate that it meets Title IV financial responsibility requirements,
- demonstrate that it is administratively capable of managing Title IV programs,
- enter into a written Program Participation Agreement (PPA) with ED, and
- be certified to participate in Title IV programs.

Types of Eligible Institutions

Reference:

- 34 CFR 600.4-600.6

The Higher Education Act of 1965, as amended (HEA), defines three types of postsecondary institutions that are eligible to participate in Title IV programs:

- institutions of higher education,
- proprietary institutions of higher education, and
- postsecondary vocational institutions.

A public or private non-profit school can fall into more than one category. However, a proprietary school cannot fall into more than one category. The type of institution is defined mainly by how the school is controlled (public, private, for-profit, nonprofit) and by the minimum program length offered by the school. Proprietary institutions have an additional eligibility requirement called the "90/10" rule.

New!

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- HEA, Section 102(b)

90/10 Rule

The 90/10 rule means that no more than 90 percent of a proprietary institution's revenue in a fiscal year may be derived from Title IV program funds; at least 10 percent must come from non-Title IV program funds. Federal funding that is not from Title IV funds may make up the 10 percent.

- An institution that determines it satisfied the 90/10 rule during its most recently completed fiscal year must have the auditor preparing its audited financial statement report on the accuracy of that determination. This is done in a footnote to the audited financial statement.

Schools must report directly to ED within 90 days of the end of their fiscal year when they do not satisfy this requirement. Audits of schools that do satisfy this requirement must include a statement to that effect.

The institution's overall financial management capability must be examined annually by auditors to ensure that good practices are maintained and that poor ones are corrected. Two important areas in which standards must be upheld for continued participation in Title IV programs are financial responsibility and administrative capability.

Application for Approval to Participate

Reference:
- 34 CFR 668.13

An institution must be approved and certified by ED to participate in any of the following Title IV programs:

- Federal Pell Grant,
- Federal Supplemental Educational Opportunity Grant (FSEOG),
- Federal Work-Study (FWS),
- Federal Perkins Loan (Perkins),
- Federal Direct Loan, and
- Federal Family Education Loan (FFEL).

Reference:
- www.eligcert.ed.gov

To apply for institutional participation, an institution must submit an *Application for Approval to Participate in Federal Student Financial Aid Programs* to ED as well as any other requested materials (such as a current letter of accreditation and a valid state license or other state authorization). Schools submit the application electronically using ED's Web site. However, schools must sign and send to ED Section L (signature page) of the application along with all required supporting documents.

ED uses the information in the application to determine whether the school meets Title IV eligibility requirements and is administratively capable and financially responsible.

Program Participation Agreement

Reference:
- 34 CFR 668.14

If ED approves a school's application, ED sends the school two copies of a Program Participation Agreement (PPA). The PPA includes the date the school's eligibility expires. The school must sign and return both copies of the PPA to ED to participate in any Title IV program other than the

Leveraging Educational Assistance Partnership (LEAP) Program (formerly the State Student Incentive Grant Program). ED then sends the school an approval letter, an Eligibility and Certification Approval Report (ECAR), and a copy of the school's PPA signed and dated by ED.

- The ECAR contains the most critical data elements that form the basis of the school's approval and also a list of the highest level of offering, any non-degree program or short-term programs, and any additional locations that have been approved for the Title IV programs. All of these documents must be kept available to be reviewed by auditors and ED officials, including Title IV program reviewers.

Under the PPA, an institution agrees to comply with the laws and regulations governing Title IV programs. When entering into a PPA, the school must demonstrate that it can carry out its financial responsibilities for properly managing Title IV programs and is administratively capable of providing the education it promises.

A school that wishes to continue to participate in Title IV aid programs must submit a fully completed application requesting recertification 90 days before the expiration date on its current PPA. ED will send a recertification reminder notice to the school six months before its PPA expires.

Single Identifier Initiative

Schools currently use an OPE-ID number—an eight digit, system-generated identifier—that accounts for the institution's main location, its off-site locations, and its Electronic Data Exchange (EDE) addresses. In some cases, different OPE-ID numbers (in some instances for the same Title IV program) are used for the same institution. This situation impairs ED's ability to provide accurate information about the amount of financial aid a college or university receives and hinders effective gatekeeping for Title IV programs. To remedy this situation, ED has implemented a single identifier.

The new numbering system is taking place in two phases:

- *Phase One*—Beginning 1999-2000, ED will implement a single eight-digit identification numbering system. ED internally rearranged identifiers so that schools that currently have more than one number will have one OPE-ID number. In December 1998, Phase One completed and populated an identifier crosswalk in the Postsecondary Education Participants System (PEPS) of all active and inactive Office of Student Financial Aid (OSFA) program and

Reference:

- DCL-ANN-97-4
- DCL-ANN-97-7
- DCL-GEN-98-8

Reference:

- www.sii.ed.gov
- www.dnb.com

Reference:

- DCL-ANN-97-4
- DCL-ANN-97-7
- DCL-GEN-98-8

Reference:

- www.sii.ed.gov
- www.dnb.com

Electronic Data Exchange (EDE) identifiers. Those identifiers are now crossed to an OPE-ID numbering system.

- *Phase Two*—From 1999 to 2001, ED will design and implement software changes required to use the data universal numbering system (DUNS). The DUNS number is the sole Title IV identifier for participating postsecondary educational institutions, lenders, third-party servicers, and guarantors.

  DUNS identifiers will be given to each eligible or ineligible non-main campus educational site and each active or inactive Pell Grant, Direct Loan, and need analysis electronic data exchange site. The target date for incorporating the DUNS identifier within the OSFA system is the 2001-2002 award year.

As part of the government-wide effort to adapt to electronic commerce, ED intends to implement the DUNS identification system as the Title IV Single Identifier for all participants: colleges and schools, lenders, servicers, and guarantors.

- Not all third-party servicers will receive DUNS numbers because if they do not have an OPE-ID number (a current record in PEPS), ED cannot propose a DUNS number in the crosswalk.

Adoption of the DUNS identification system as the Title IV identifier instead of an OPE-ID number will simplify participation in Title IV programs as institutions are already required to have a DUNS identifier for conducting electronic commerce.

2.3 Financial Responsibility Standards

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- HEA, Section 498(c)
- 34 CFR 668, Subpart L

Congress requires ED to assess whether institutions are financially responsible by determining if they satisfy three statutory components. See the chart on the next page.

According to ED regulations, a school is considered to be financially responsible if it:

1. provides the services described in its official publications and statements;
2. administers properly the Title IV programs in which it participates; and
3. meets all of its financial obligations.

Using institutional audited financial statements and other information, ED evaluates whether the school meets required financial responsibility standards.

Components of Financial Responsibility

To be financially responsible, a school must...	ED assesses schools on the basis of....
• Meet its financial obligation	• Making timely refunds to students • Making timely repayments to ED • Being current on its debt payment
• Administer Title IV programs properly	• Past performance • Program compliance
• Be in adequate financial condition	• Sufficient resources for its education programs, services, and financial obligations

Financial Responsibility Standards for Public Institutions

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.171(c)(1) and (2)

ED considers a public institution to be financially responsible if the institution:

- notifies ED that it is designated as a public institution by the state, local, or municipal government entity, tribal authority, or other government entity that has legal authority to make that designation;
- provides a letter from an official of that state or government entity confirming that the institution is a public institution; and
- is not in violation of any past performance requirement.

Reference:

- 34 CFR 668.174

Financial Responsibility Standards for Proprietary and Private Institutions

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

A for-profit or non-profit private institution is financially responsible if ED determines that it meets *all* of the four standards that follow and does not have an adverse, qualified, or disclaimed audit opinion or past performance problem.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.171(b)(1)
- 34 CFR 668.172(b)(1)(2)
- 34 CFR 668, Appendix F
- 34 CFR 668, Appendix G

Standard #1

The institution's equity, primary reserve, and net income ratios must yield a composite score of at least 1.5. ED determines the composite score by:

1. calculating the result of the school's primary reserve equity and net income ratios,
2. calculating the strength factor score for each of those ratios by using the corresponding algorithm,
3. calculating the weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage,
4. summing the resulting weighted scores to arrive at the composite score, *and*
5. rounding the composite score to one digit after the decimal point.

Reference:

- See pages 2-64 and 2-67 of this book for more information on calculating ratio methodologies for proprietary and private non-profit institutions.

The ratios for proprietary institutions are:

$$\textit{Primary Reserve ratio} = \frac{\text{Adjusted Equity}}{\text{Total Expenses}}$$

$$\textit{Equity ratio} = \frac{\text{Modified Equity}}{\text{Modified Assets}}$$

$$\textit{Net income ratio} = \frac{\text{Income Before Taxes}}{\text{Total Revenues}}$$

The ratios for private non-profit institutions are:

$$\textit{Primary Reserve ratio} = \frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

$$\textit{Equity ratio} = \frac{\text{Modified Net Assets}}{\text{Modified Assets}}$$

$$\textit{Net income ratio} = \frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenues}}$$

Reference:

- 34 CFR 668.172(c)(1)(2)

In calculating an institution's ratios, the U.S. Secretary of Education (the Secretary) generally excludes:

- extraordinary gains or losses,
- income or losses from discontinued operations,
- prior period adjustments,

- the cumulative effect of changes in accounting principles, and
- the effect of changes in accounting estimates.

Reference:
- 34 CFR 668.173(c)(3)(4)

The Secretary may include or exclude the effects of questionable accounting treatments, such as excessive capitalization of marketing costs.

The Secretary also excludes:

- all unsecured or uncollateralized related-party receivables,
- all intangible assets defined as intangible in accordance with generally accepted accounting principles (GAAP), and

Reference:
- 34 CFR 668.172(c)(5)(i)(ii)

- federal funds provided to an institution by the Secretary authorized by the HEA only if:
    - the auditor, in notes on the audited financial statement or as a separate attestation, discloses by name and CFDA number, the amount of HEA program funds reported as expenses in the Statement of Activities for the fiscal year covered by the audit or attestation *and*
    - the institution's composite score, as determined by the Secretary, is less than 1.5 before the reported expenses arising from those HEA funds are excluded from the Primary Reserve ratio.

Standard #2

Reference:
- 34 CFR 668.171(b)(2)
- 34 CFR 668.173(a)

The institution must have sufficient cash reserves to make required refunds. An institution is considered to have sufficient cash reserves if it:

- satisfies the requirements of a public institution,
- is located in a state that has a tuition recovery fund approved by the Secretary and the institution contributes to that fund, *or*
- demonstrates that it makes its refunds in a timely manner.

Reference:
- 34 CFR 668.173(b)(1)(2)

An institution makes timely refunds if the auditor(s) who conducted the institution's compliance audits for the institution's two most recently completed fiscal year or the Secretary, a state, or guaranty agency that conducted a review of the institution covering those fiscal years:

- did not find in the sample of student records that:

  - the institution made late refunds to 5 percent or more of the students in that sample *or*
  - the institution made only one late refund to a student in that sample, and
- did not note for either of those fiscal years a material weakness or a reportable condition in the institution's report on internal controls that is related to refunds.

Reference:
- 34 CFR 668.173(c)

If an institution no longer satisfies a refund standard or is not making its refunds in a timely manner, the institution must submit an irrevocable letter of credit. The letter of credit must be:

- acceptable and payable to the Secretary and
- equal to 25 percent of the total amount of Title IV refunds the institution made or should have made during its most recently completed fiscal year.

Reference:
- 34 CFR 668.173(c) (1)(2)

The institution must submit this letter of credit to the Secretary no later than:

- 30 days after the date the institution is required to submit its compliance audit to the Secretary, if the finding is by the auditor who conducted that compliance audit *or*
- 30 days after the date the Secretary or the state or guaranty agency that conducted a review of the institution notifies the institution of the finding.
  - The institution must also notify the Secretary of that finding and of the state or guaranty agency that conducted a review of the institution.

Reference:
- 34 CFR 668.173(d)

To determine whether to approve a state's tuition recovery fund the Secretary considers the extent to which that fund:

- provides refunds to both in-state and out-of-state students,
- allocates all refunds in accordance with the order required under 34 CFR 668.22, and
- provides a reliable mechanism for the state to replenish the fund should any claims arise that deplete the fund's assets.

Reference:
- 34 CFR 668.171(b)(3)

Standard #3

The institution must be current in its debt payments. An institution is not current in its debt payments if:

- it is in violation of any existing loan agreement at its fiscal year end, as disclosed in a note to its audited financial statements or audit opinion *or*
- it fails to make a payment according to existing debt obligations for more than 120 days, and at least one creditor has filed suit to recover funds under those obligations.

Reference:
- 34 CFR 668.171(b)(4)

Standard #4

The institution must meet all of its financial obligations, including (but not limited to):

- refunds that it is required to make; and
- repayments to ED for debts and liabilities arising from its participation in Title IV programs.

Reference:
- 34 CFR 668.171(d)(1)(2)

Even if an institution satisfies all of these standards, ED will not consider the school financially responsible if:

1. the institution's audited financial statements contain an adverse, qualified, or disclaimed audit opinion, or the auditor expresses doubts about the continued existence of the institution as a going concern;

   OR

2. the institution violated a Title IV program requirement, or the persons or entities affiliated with the institution owe a liability for a violation of a Title IV program requirement.

Reference:
- 34 CFR 668.174(b)(2)

ED will disregard the first reason if the qualified or disclaimed opinion does not have a significant bearing on the institution's financial condition. ED will disregard the second reason if the liability in question is being repaid or the persons or entities owing the liability do not exercise substantial control over the institution.

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.174(a)(1)

Past Performance

An institution is not financially responsible if the institution:

- has been limited, suspended, terminated, or entered into a settlement agreement to resolve a limitation, suspension, or termination action initiated by the Secretary or a guaranty agency as defined in 34 CFR part 682, within the preceding five years;

Reference:
- 34 CFR 668.174(a)(2)

- in either of its two most recent compliance audits had an audit finding or in a report issued by the Secretary had a program review finding for its current fiscal year *or* in either of its preceding two fiscal years that resulted in the institutions being required to repay an amount greater than 5 percent of the funds that the institution received under the Title IV programs during the year covered by that audit or program review;

Reference:
- 34 CFR 668.174(a)(3)

- has been cited during the preceding five years for failure to submit in a timely fashion acceptable compliance and financial statement audits required under 34 CFR 668.174 or acceptable audit reports required under the individual Title IV program regulations; *or*

Reference:
- 34 CFR 668.174(a)(4)

- has failed to resolve satisfactorily any compliance problems identified in audit or program review reports based upon a final decision for the Secretary issued pursuant to subpart G or H of 34 CFR 668.174.

Other Financial Responsibility Standards

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.175(a)

Schools that are not financially responsible under the regular standards may begin participating or continue participating in Title IV programs by qualifying under an alternative standard. There are three types of alternative standards: letter-of-credit alternative, zone alternative, and provisional certification alternative. There are also specific financial responsibility standards for schools that change ownership, guaranty agencies, and third-party servicers.

Letter-of-Credit Alternative

Reference:
- 34 CF[illegible]68.175(b)

An institution that seeks Title IV program participation for the first time, but is not financially responsible solely because its composite score (from its equity, primary, and net-income ratios) is less than 1.5, will qualify as a financially responsible institution by submitting an irrevocable letter of credit that is acceptable and payable to ED. ED will specify the amount, but regulations require the letter of credit to equal at least 50 percent of the amount of Title IV program funds the institution will receive during its initial year of participation.

Reference:
- 34 CFR 668.175(c)

A participating institution that is not financially responsible because it does not satisfy one or more of the financial responsibility standards or has an unsatisfactory audit opinion can also use an irrevocable letter of credit. To qualify as financially responsible, the letter must be acceptable and payable to ED. ED will specify the amount, but regulations require the letter of credit to equal at least 50 percent of the Title IV program funds received by the institution during its most recently completed fiscal year.

> *A participating school that is not financially responsible due to past performance problems is not eligible for this letter-of-credit alternative.*

Zone Alternative

The zone alternative is only an option for a participating institution if the school is not financially responsible because its composite score is less than 1.5. If a participating school fails any other test of financial responsibility, the school cannot qualify for the zone alternative.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.175

An institution qualifies as financially responsible under this alternative if its composite score is in the range 1.0 to 1.4 (based on the audited financial statement for its most recently completed fiscal year) and it satisfies other standards of financial responsibility. ED may deem a school to be financially responsible under the zone alternative for no more than three consecutive years. An institution that qualifies under this alternative, whether for three years or just one or two years, cannot use the zone alternative again until the year after it achieves a composite score of at least 1.5.

To participate under the zone alternative, an institution must also meet the following five requirements:

1. ED will require the school to use the cash monitoring or reimbursement payment method to make disbursements to eligible students and parents.
2. ED will require the school to provide timely information about any of the following six oversight and financial events:
   - any adverse action, including a probation or similar action, taken against the institution by its accrediting agency;
   - any event that causes the institution or a related entity to realize any liability that was noted as a contingent liability in the institution's or related entity's most recent audited financial statement;
   - any violation by the institution of any loan agreement;

- any failure of the institution to make a payment according to its debt obligations that results in a creditor filing suit to recover funds under those obligations;

- any withdrawal of owner's equity from the institution by any means, including declaring a dividend; or

- any extraordinary losses.

> *No later than 10 days after the event occurs, the school must provide information on the above events by certified mail, fax, or other electronic transmission. If fax or other electronic transmission is used, the school is responsible for confirming that ED received a complete, legible copy of the transmission.*

Reference:
- 34 CFR 668.23(a)(4)

3. ED may require the institution's audited financial statement and compliance audit to be submitted earlier than specified in regulations. For example, instead of six months after the end of the school's fiscal year, ED could require the school to submit its audit reporting package as early as 60 days after the end of its fiscal year.

4. ED can require the institution to provide information about its current operations and future plans.

5. The institution must, as a part of its compliance audit, require its auditor to express an opinion on the school's compliance with the requirements under the zone alternative, including the school's administration of the payment method under which it received and disbursed Title IV program funds.

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.175(f)

Reference:
- 34 CFR 668.171(b) and (d)

Reference:
- 34 CFR 668.174(a)

Provisional Certification Alternative

The provisional certification alternative is for participating institutions that cannot qualify, or choose not to qualify, under any of the other alternatives. ED, at its discretion, may allow provisional certification for an institution that is not financially responsible because:

- it does not satisfy the financial responsibility standards or has an unsatisfactory audit opinion;

OR

- its past performance shows that it violated a Title IV program requirement, but it has satisfied or resolved the violation.

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

Under this alternative, an institution receives an initial provisional certification, which cannot exceed three consecutive fiscal years. An initial provisional certification carries the following three main conditions:

1. The institution must submit an irrevocable letter of credit that is acceptable and payable to ED. ED decides on the amount, but it cannot be less than 10 percent of the Title IV program funds received by the institution during its most recently completed fiscal year.

Reference:
- 34 CFR 668.171(b)(3) and (b)(4)

2. The institution must demonstrate that it was current on its debt payments and has met all of its financial obligations for its two most recent fiscal years.

Reference:
- 34 CFR 668.175(d)(2) and (d)(3)

3. The institution must comply with all of the provisions of the zone alternative.

When the initial provisional certification ends, if the institution is still not financially responsible, ED may again permit it to participate under a provisional certification. However, ED may impose one or both of the following additional conditions:

1. ED may require the institution, or one or more persons or entities that exercise substantial control over it, to submit financial guarantees for an amount determined by ED to be sufficient to satisfy any potential liabilities arising from the institution's participation in Title IV programs.

2. ED may require one or more persons or entities that exercise substantial control over the institution to be jointly or severally liable for any liabilities arising from the institution's participation in Title IV programs.

Provisional Certification Alternative for Institutions Controlled by Persons or Entities Owing Liabilities

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.175(g)

An institution may be deemed not financially responsible because the persons or entities that exercise substantial control over the institution owe a liability for a violation of a Title IV program requirement.

In such cases, ED may allow the school to participate under a provisional certification only on three conditions:

1. **EITHER** the persons or entities that exercise substantial control repay or enter into an agreement with ED to repay the applicable portion of that liability, **OR** the institution assumes that liability

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

and repays or enters into an agreement with ED to repay that liability.

2. The institution must satisfy the standards of financial responsibility and demonstrate that it was current on its debt payments and has met all of its financial obligations for its two most recent fiscal years.

3. The institution must submit an irrevocable letter of credit that is acceptable and payable to ED. ED decides on the amount, but it cannot be less than 10 percent of the Title IV program funds received by the institution during its most recently completed fiscal year.

ED also requires the institution to comply with the provisions under the zone alternative. Furthermore:

1. ED may require the institution, or one or more persons or entities that exercise substantial control over the institution, or both, to submit financial guarantees for an amount determined by ED to be sufficient to satisfy any potential liabilities arising from the institution's participation in Title IV programs; and

2. ED may require one or more of the persons or entities that exercise substantial control over the institution to be jointly or severally liable for any liabilities arising from the institution's participation in Title IV programs.

Reference:

- 34 CFR 668.15

Schools that Change Ownership

ED evaluates a school that changes ownership according to the factors of financial responsibility contained in regulations. During the 1997-98 "transition year," these regulations also applied to guaranty agencies, third-party servicers, and schools. (The transition year allowed schools that were not financially responsible under Subpart L solely because their composite scores were less than 1.5 to qualify as financially responsible.)

Reference:

- HEA, Section 487

New

A newly eligible institution or an institution that is undergoing a change of ownership is required to implement a default management plan for two years unless:

- the school's branch campus or main campus has a cohort default rate of 10 percent or less and
- the new owner does not own, and has not owned, any other school with a cohort default rate in excess of 10 percent.

The checklist below lists the general rules a school that changes ownership must follow to be considered financially responsible.

To be considered financially responsible, a school that changes ownership must...

☐ provide the services described in its official publications and statements

☐ provide the administrative resources necessary to comply with requirements for participating in Title IV programs

☐ meet all of its financial obligations, including paying required refunds to students and debts to ED

☐ be current in paying any institutional debts

☐ post an irrevocable letter of credit (LOC), acceptable and payable to ED, equal to 25 percent of the total amount of Title IV program refunds paid by the school in the previous fiscal year

☐ not have part of its most recent audit report be a statement expressing substantial doubt of the school's ability to continue as a "going concern" *or* a disclaimed or adverse opinion by the accountant

☐ not have an individual who exercises significant control over the school and owes a liability for a Title IV program violation unless the school and the individual owing the liability meet certain regulatory provisions

☐ not have been limited, suspended, or terminated from a Title IV program or have not entered into a settlement agreement to resolve a limitation, suspension, or termination within the preceding five years

☐ not have been required to repay an amount greater than 5 percent of Title IV funds received for an award year as a result of a finding during its two most recent program reviews or audits

☐ not have been cited during the preceding five years for failure to submit acceptable audit reports in a timely manner

☐ not have failed to resolve satisfactorily any compliance problems identified during a program review or audit

2.4 Administrative Capability

Reference:
- 34 CFR 668.16

In addition to demonstrating that it is financially responsible, a school must be administratively capable of participating in Title IV programs. Using a school's audited financial statements and other information, ED evaluates the school's administrative capability according to the standards contained in regulations. (See checklist on the next page.)

If ED finds that a school is not administratively capable only on the basis of its Federal Direct Loan Program, FFEL Program, and/or Federal Perkins Loan Program cohort default rate(s), ED may provisionally certify the school's participation in Title IV programs.

To be considered administratively capable, a school must...

- ☐ administer Title IV programs according to all Title IV requirements
- ☐ use an adequate number of qualified persons to administer Title IV programs in which the school participates
- ☐ designate a capable individual to be responsible for administering all Title IV programs
- ☐ communicate to the individual responsible for administering Title IV programs all information that bears on students' Title IV eligibility
- ☐ have written procedures for administering Title IV programs
- ☐ administer Title IV programs with adequate checks and balances in its system of internal controls
- ☐ separate the functions of authorizing Title IV payments and disbursing and/or delivering Title IV funds so that the functions are carried out by at least two organizationally independent individuals
- ☐ establish and maintain required Title IV records
- ☐ establish, publish, and apply reasonable standards for measuring students' satisfactory academic progress (SAP)
- ☐ develop an adequate system for resolving discrepancies in information related to students' applications for Title IV assistance
- ☐ refer any credible information about Title IV fraud, abuse, or misrepresentation to ED's Office of Inspector General (OIG)
- ☐ provide adequate financial aid counseling to Title IV applicants
- ☐ submit required Title IV reports in a timely manner, including fiscal reports, financial statements, and reconciliations
- ☐ not demonstrate any significant problems in its ability to administer Title IV programs
- ☐ not have connected with the school any individual who is/has been debarred or suspended or engaged in any activity that would be cause for debarment or suspension
- ☐ not have had more than 33 percent of its undergraduate regular students[1] withdraw during the latest completed award year (for a school seeking initial participation in a Title IV program)
- ☐ have a cohort default rate of less than 25 percent under the FFEL Program/Direct Loan Program for each of the three most recent fiscal years and that is equal to or less than 15 percent under the Federal Perkins Loan Program
- ☐ not appear to lack the ability to administer Title IV programs competently
- ☐ participate in ED's electronic processes

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[1] A regular student is a person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution. See 34 CFR 600.2

If ED finds that a school is not administratively capable only on the basis of its Federal Direct Loan Program, FFEL Program, and/or Federal Perkins Loan Program cohort default rate(s), ED may provisionally certify the school's participation in Title IV programs.

Separation of Functions

Reference:

- 34 CFR 668.16(c)(2)
- See Section 5.4 of this book for further details on the separation of functions.

Federal regulations require an institution to divide the functions of authorizing payments and disbursing funds so that no single office or individual has responsibility for both functions for any student receiving Title IV funds. Even at very small institutions, no one person may be allowed to authorize payment of Title IV funds *and* to disburse those funds.

In this regard, the school must ensure that these two functions for any student receiving Title IV aid are carried out by at least two organizationally independent individuals. These individuals cannot be members of the same family and they cannot together exercise substantial control over the school.

Typically, the financial aid office awards Title IV funds and authorizes payment of those funds to students. The fiscal office requests funds from GAPS and disburses the funds by crediting student accounts, delivering checks to students, or delivering cash to students. The person who awards Title IV funds may not be authorized by the institution to sign checks or deliver them to students, nor may he or she be permitted to deliver cash to students or to credit student accounts for tuition, fees, books, supplies, or other charges.

As mentioned earlier, electronic processes enhance accuracy and efficiency. They also can blur separation of functions so the awarding and disbursement occur virtually simultaneously.

Reference:

- See Section 6.1 of this book for more information on RFMS.

***Under the just-in-time payment method, schools handle the authorization and disbursement process differently. The disbursement record itself in RFMS drives the deposit of funds in the school's bank account.**

- For example, in the advance payment method* under the Recipient Financial Management System (RFMS), an origination record must be created for each student eligible to receive a Pell Grant as well as a disbursement record. The financial aid office authorizes the payment (origination record and disbursement record) and the business office requests the funds from GAPS and disburses the funds to the school's bank account.
- For example, under the Direct Loan Program, a promissory note must be on file and an origination record must be created for each student eligible to receive a Direct Loan as well as a disbursement record. Once the origination record is created, the financial aid office receives a disbursement list. The financial aid office then authorizes the loan to be disbursed and the business office requests the funds from GAPS and disburses the funds.

Reference:

- See Appendix D for more information on Case Management Teams.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- *Federal Register*, September 19, 1997
- 34 CFR 668.16(o)

Schools must set up controls to prevent an individual or an office from having the authority to perform both functions. For guidance on the separation of functions, contact the Case Management Team that serves the state of your school.

Required Electronic Processes

To be considered administratively capable to participate in Title IV programs, an institution must participate in all electronic processes that are required by ED, if the processes are provided at no substantial charge to the school. ED informs schools of the required processes through notices published in the *Federal Register.*

ED requires all schools to use certain electronic processes to participate in and administer Title IV programs. A list of the required processes and the deadline dates for implementation is on page 27 and a list of the technical specifications is on page 28.

Beginning with the 1999-2000 processing year, schools using a PC platform to participate in and administer Title IV programs must be prepared to process ED data using:

- Windows 95,
- Windows NT, or
- a newer version of the Windows operating system.

ED's electronic services no longer support the disk operating system (DOS) or any earlier versions of Windows.

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Required Electronic Processes and Deadline Dates

Deadline Date	Designated Electronic Processes
January 1, 1998	• Participate in the Title IV Wide Area Network (TIV WAN)[1] • For the 1998-99 Processing Year[2] and Beyond: – Receiving Institutional Student Information Records (ISIRs) – Adding your school to the Central Processing System (CPS) Record – Having online access to the National Student Loan Data System (NSLDS)
July 1, 1998	• Having access to the Information for Financial Aid Professional (IFAP) Web site • Submitting the Application for Approval to Participate in Federal Student Financial Aid Programs (initial certification, recertification, reinstatement, and changes) through the Internet • Submitting the Fiscal Operations Report and Application to Participate (FISAP) to TIV WAN
July 1, 1999	• For the 1999-2000 Award Year and Beyond: – Reporting Federal Pell Grant payments *electronically* through TIVWAN[3] • Submitting Student Status Confirmation Report (SSCR) data *electronically* to NSLDS • Submitting Federal Perkins Loan data *electronically* to NSLDS

[1] **Refer to DCL-98-24 (Action Letter #4) for enrollment procedures and updating enrollment information for TIV WAN.**

[2] **The application processing cycle lasts 18 months. For the 1998-1999 award year, application processing begins in January 1999 and applications for that year will be accepted until June 30, 1999.**

[3] **For the 1999-2000 award year only, schools have the option of continuing to send Federal Pell Grant origination and disbursement data on tape via the Recipient Data Exchange (RDE). After 1999-2000 and beyond, RDE will be eliminated and schools must submit origination and disbursement data electronically.**

Technical Specifications

Equipment	Minimum Configuration Required by January 1, 1999
Hardware	• IBM or fully IBM-compatible PC • 200 MHZ Pentium Processor or comparable • 64 MB RAM • 4.0 GB SCSI Hard Drive • 56K Analog Modem • 3.5-inch/1.44 MB Diskette Drive • SVGA Monitor • Windows 95 Keyboard • Laser printer capable of printing on standard paper (8.5 x 11-inch) • 12x CD-ROM with sound board[1]
Software	• 32 bit operating system • Windows 95, Windows 98, or Windows NT 4.x • Internet Servicer Provider (ISP)[2] • Netscape Navigator 3.0 or 3.01 (domestic), Explorer 4.0, or other web browser[3]
Phone Line	• Dedicated phone line
Diskettes	• 3.5-inch high-density, double-sided diskettes

[1] Required if school wants to use the EDExpress Tutorial and AWARE software.

[2] Will be necessary to access the Information for Financial Aid Professionals (IFAP) Web site and to submit the Application for Approval to Participate in Federal Student Financial Aid Programs (initial certification, recertification, reinstatement, and changes).

[3] Currently, must use Netscape Navigator 3.0 or 3.1 (domestic) to use FAFSA on the Web. ED is testing other Web browsers that will be made available to the public in the near future.

Year 2000 Compliant

Reference:

- www.ed.gov/offices/ OCIO/year

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

Many existing computer systems were designed to store and process data using only the last two digits of the year. Unless these systems are redesigned to use a four-digit character year and can account for the change in the century, there is a major risk that they will incorrectly handle data for years beyond 1999. For example, will a computer read the two-digit character year "00" as the year 1900 or the year 2000?

To address this problem, ED is redesigning all of its computer systems. ED also required that all computer systems schools use for processing financial aid data be "Year 2000 Compliant" by January 1, 1999. By this date all financial aid data processing systems, procedures, and protocols were required to be able to store and report date data in ways that differentiate between years before 2000 and beyond 2000. This requirement also applied to any third-party servicer a school contracts with to administer Title IV programs.

Modernization Blueprint (formerly Project Easy Access for Students and Institutions [EASI])

Reference:

- http://easi.ed.gov

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

***Project EASI has been renamed the Modernization Blueprint.**

On August 1, 1995, the U.S. Secretary of Education requested ED and its partners in the postsecondary education community to design, integrate, and develop a comprehensive financial aid delivery system. In response to this challenge, government, education, student, and business leaders initiated the Modernization Blueprint.

The Modernization Blueprint is a collaborative effort by members of the postsecondary education community (including ED, schools, lenders, servicers, guarantors, professional organizations, and state agencies) to define and implement a customer-focused system to support postsecondary education as well as to improve customer access to information and funding for education beyond high school.

The goals of the Modernization Blueprint include providing system users with a single point of interface to the more streamlined processes associated with postsecondary education, while reducing complexity, redundancy, and cost.

The Modernization Blueprint has six major functional areas:

1. sharing information
2. applying for federal financial aid
3. disbursing federal financial aid
4. tracking and reporting enrollment

5. handling repayments of federal financial aid

6. providing program management and oversight

When fully implemented, the Modernization Blueprint will assist students and their families in planning for postsecondary education, choosing among postsecondary schools, and financing their choices.

Access America for Students

Reference:

- http://easi.ed.gov

ED has joined with several other federal agencies to develop and implement Access America for Students (Access America). Access America will provide electronic, Web-based access to government services. The initiative will test the use of three basic tools for modernization of government services:

- a Web site gateway to access government services,
- an electronic ID to complete transactions with the government and other parties over the Internet, and
- a student account based on commercial financial infrastructure to support the delivery of student aid and provide customer information.

Access America also tests the key concepts of the Modernization Blueprint (formerly Project EASI):

- providing the postsecondary education community with a single point of interface for student financial aid information;
- developing an integrated student aid account;
- supporting a common origination and payment process;
- providing current information for improved management oversight and analysis;
- providing a clear audit trail and minimizing reconciliation; and
- reducing overall administrative cost for all industry partners through standardized data and business processes.

In the 1999-2000 funding year, seven schools will participate in the Access America for Students pilot project for the Federal Pell Program and the Direct Loan Program.

2.5 Student Consumer Information

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668 Subpart D

Regulations specify published information that institutions are required to make available to students, prospective students, and employees. These regulations also allow ED to fine a school, or to limit, suspend, or terminate the participation of any school that substantially misrepresents the nature of its educational program, financial charges, or the employability of its graduates.

This is an area of responsibility that is shared among institutional offices. In general, the financial aid and business offices share primary responsibility for providing this information, but other offices must be involved as well.

Financial Aid Information

All institutions are required to provide information on:

- all financial aid programs available to students, the amounts of aid available from each source, and the required application procedures,
- how student eligibility for aid is determined,
- how the school distributes aid among students,
- the rights and responsibilities of financial aid recipients,
- how and when financial aid will be disbursed,
- the terms and conditions of any employment offered as financial aid,
- the terms of, schedules for, and necessity of loan repayment,
- the criteria for measuring students' satisfactory academic progress and the procedures students must follow to regain eligibility if they failed to meet these criteria,
- information on preventing drug and alcohol abuse,
- information about the availability of federal financial aid funds for study-abroad programs, and
- information on availability of community-service FWS jobs.

General Information

Schools are also required to provide general information about themselves. This information includes matters related to fiscal operations, such as:

- licensing and accreditation;
- costs of attendance, including tuition, fees, room and board, transportation, books and supplies, loan fees, buying or renting a computer, and additional costs associated with certain programs of study;
- all requirements for officially withdrawing from school;
- institutional refund and repayment policies (and, as of October 7, 2000, the policy for return of Title IV aid, unless the school implements the return of Title IV aid earlier than October 7, 2000); *and*
- distributing student financial aid refunds and repayments to Title IV programs.

Availability of Personnel

Federal regulations require that schools make personnel available during normal operating hours to help current and prospective students obtain consumer information.

Job Placement Claims

A school that makes marketing claims about job placement rates to recruit students must disclose information supporting these claims to prospective students at or before the time of application. This means that schools must provide detailed statistics and other information necessary to substantiate the truthfulness of their claims. If a school advertises job placement rates to attract enrollment, it must inform prospective students of the state licensing requirements for the jobs for which the students seek training.

Student Right-To-Know Provisions

All schools participating in Title IV programs are subject to the disclosure requirements of the Student Right-To-Know Act (SRK). SRK requires a school to make available its completion or graduation rates by July 1 of each year. A school must provide the information upon request to enrolled and prospective students.

- In the case of a prospective student, the school must provide information before the student enters into a financial obligation.

A school also must provide the information to ED through the National Center for Education Statistics annual graduation rate survey.

By July 1 of each year, SRK requires a school that awards athletically-related student aid to report to ED various information concerning students who receive athletic aid, including their completion or graduation rate. SRK also requires a school to provide the information to a prospective student-athlete and his or her parents, high school coach, and guidance counselor at the time the school offers the prospective student-athlete athletically-related student aid.

Equity in Athletics Provisions

The Equity in Athletics Disclosure Act (EADA) is designed to make students, prospective students, and the interested public aware of:

- the athletic opportunities available to a school's male and female students and
- the financial resources and personnel the school dedicates to its men's and women's teams.

EADA applies to any coeducational institution of higher education that participates in a Title IV student aid program and has an intercollegiate athletic program. Pursuant to EADA, a school must prepare an annual report that includes information such as:

- a list of the school's varsity teams,
- the number of participants on each team,
- the number of coaches for each team, and
- various breakdowns of athletically-related expenses and revenues.

Note that the HEA of 1998 moved certain athletically-related expense and revenue disclosure requirements from the Program Participation Agreement section of the HEA of 1965 to EADA. These amendments repealed the audit requirement for those disclosures.

A school must make its EADA report available upon request to enrolled students, prospective students, and the public by October 15 of each year and the school also must submit the report to ED.

Campus Security Provisions

Reference:

- HEA, Section 485(f)

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (formerly the Campus Security Act of 1990) requires schools to publish annually specific crime-related information. The report includes information about a school's security policies and procedures, crime prevention programs, and campus crime statistics. The school must distribute it to all current students and employees and, on request, to prospective students and employees.

Schools also must provide timely warning to the campus* community of any occurrences of crimes that are reported to the campus security authorities or local police agencies and that are considered to represent a continuing threat to students and/or employees. The crimes to be reported are:

- murder,
- forcible and nonforcible sex offenses,
- robbery,
- aggravated assault,
- burglary,
- motor vehicle theft,
- manslaughter,**
- arson,** and
- arrests or persons referred for campus disciplinary action for liquor law violations, drug-related violations, and weapons possession.**

Schools must maintain daily logs of crimes reported to the police or security departments. These daily logs:

- must include the nature, date, time, and general location of the crime *and*
- must be open to public inspection within two business days of the report except where
    - prohibited by law,
    - disclosure jeopardizes a victim's confidentiality, or
    - disclosure hinders investigation.

Campus crime statistics must be categorized on the basis of where a criminal offense occurs:

- on campus,
- in or on a non-campus building or property,

***The definition of "campus" includes reasonable contiguous property used by students that supports institutional purposes such as a food court, certain non-campus buildings or property, and public property.**

****The HEA of 1998 added the crimes of manslaughter, arson, and arrests or persons referred for campus disciplinary action for liquor law violations, drug-related violations, and weapons possession.**

- on public property, and
- in dormitories or other residential facilities for students on campus.

Schools must also maintain statistics by category of prejudice for any hate crimes involving bodily injury. That is, crimes to any person in which the victim is intentionally selected because of actual or perceived race, gender, religion, sexual orientation, ethnicity, or disability.

***Prior to October 1998, schools submitted these statistics to ED only when requested by ED.**

These statistics are reported annually* to ED. ED will make copies of the statistics available to the public.

The provisions of the Family Educational Rights and Privacy Act (FERPA) do not prohibit a school from complying with the requirements of the campus security regulations.

2.6 Institutional Policies and Procedures Manual

The law requires schools to have written policies and procedures for administering Title IV programs. The policies and procedures must address:

- student consumer information,
- verification,
- satisfactory academic progress,
- refund and repayment, and
- loan disclosure statements and fact sheets (this requirement does not apply to Direct Loans).

Advantages of Policies and Procedures Manual

Although the law does not require schools to maintain written policies and procedures in a manual, schools generally find that a manual helps them manage financial aid programs more effectively, efficiently, and consistently. A comprehensive manual can:

- document how and when the school establishes specific policies and procedures,
- provide a single location for the school's policies and procedures, and
- serve as a reference guide and training resource.

A policies and procedures manual is also extremely valuable when a school undergoes a compliance audit or program review.

Many institutions have business procedures manuals to cover fiscal matters, such as accounting, budgeting, payroll, personnel, and the like. However, due to the broad scope and complexity of financial aid programs, it is wise to develop a separate financial aid policies and procedures manual. This manual should address policies and procedures that affect all aspects of financial aid administration from the perspectives of both the business office and the financial aid office.

Suggested Topics for Policies and Procedures Manual

In addition to the required written policies listed at the beginning of this section, a comprehensive policies and procedures manual would include:

- an overview of the institution itself, its mission, its students, and its philosophies,
- descriptions of all federal, state, and institutional aid programs, including application procedures, award amounts, and eligibility requirements,
- descriptions of the organizational structures of the financial aid office and the business office,
- a statement of the institution's policy for awarding financial aid (commonly referred to as its "packaging policy"),
- procedures for processing financial aid applications,
- procedures used in record keeping and reporting,
- calendar of activities, including dates and deadlines for students,
- procedures for evaluating business office and financial aid office operations, and
- copies of forms, applications, standard correspondence, and other printed materials routinely used by the financial aid office and business office and/or distributed to students.

2.7 Evaluating Your Management of Student Financial Aid Programs

Schools should evaluate the way they administer Title IV programs on a regular basis. This is a priority for ED, as well as for the business-officer and financial-aid communities.

Evaluating Title IV administration serves many purposes, such as:

- ensuring that the school is complying with statutory and regulatory requirements, and
- identifying school policies and procedures that need updating or revision.

All schools that participate in Title IV financial aid programs must ensure that their student aid operations, procedures, and policies remain in compliance with statutory and regulatory requirements. Failure to do so may have serious consequences:

- *Institutional liabilities*—The school will be required to repay any misused funds to ED.
- *Inequitable student aid distribution*—Students at the school may be awarded less or more aid than they are entitled to receive.
- *Possible fines, limitation, suspension, or termination*—If audits and program reviews identify serious instances of noncompliance, inappropriate use of funds, or fraud, the school may be subject to emergency action by ED and may ultimately lose its eligibility for federal student aid programs.
- *Debarment*—Individuals found responsible for fraud or serious misuse of federal funds may be barred from involvement in any federal programs.

Evaluation Methods

The primary methods for evaluating an institution's management of Title IV programs are:

- self-evaluation,
- peer evaluation, and
- ED's Quality Assurance Program (QAP).

Self-Evaluation

Institutional self-evaluation provides a way of maintaining internal quality control and serves as an effective management tool. The process helps a school detect and correct small problems before they become potential sources of liability. Self-evaluation also helps the school prepare for future program reviews and audits. A self-evaluation might include:

- reviewing a representative sample of student files,
- reviewing written policies and procedures, and
- observing financial-aid activities, such as loan counseling sessions.

Reference:

- *Self-Evaluation Guide*
  NASFAA
  Washington, DC
  Tel: 202-785-0453
  Web site:
  www.nasfaa.org

The *Self-Evaluation Guide*, published by the National Association of Student Financial Aid Administrators (NASFAA), can help schools develop comprehensive evaluation systems. This publication provides a step-by-step outline for reviewing financial aid and fiscal policies, procedures, and practices.

Peer Evaluation

Peer evaluation is another technique for obtaining an independent, objective review of an institution's administration of Title IV programs. The peer evaluator can be a financial aid administrator or fiscal officer from another school or a financial aid consultant.

During a peer evaluation, the school obtains an objective assessment of its operation from someone at a similar institution. The person performing the evaluation also benefits by getting a first-hand look at how another school manages financial aid programs. Comparing notes and exchanging ideas are methods by which colleagues in financial aid offices and business offices can share their expertise for the good of all.

Quality Assurance Program

The Quality Assurance Program (QAP) is an ED initiative to promote quality in administering Title IV programs. Participating institutions implement a formal quality assurance program that includes a management self-assessment, annual measurement, and quality improvement components. This integrated approach to management embodies the principles of continuous improvement that ED regards as essential to quality assurance.

QAP takes a proactive approach by:

- focusing on preventing problems;

- improving existing procedures rather than penalizing institutions for errors and management;
- improving the institution's administration of the Title IV Programs; and
- assisting institutions in minimizing program errors.

Schools that participate in QAP are exempt from certain ED reporting and verification requirements if their institutional quality assurance measures duplicate these requirements.

Quality assurance (QA) is required for schools participating in the Direct Loan Program. ED assists these schools in conducting QA activities using tools such as the *Direct Loan Quality Assurance Planning Guide (QA Planning Guide)* and the QA module in EDExpress.

- There are several measurement tools in the "Tools" submenu of EDExpress. These measurement tools can be used by Direct Loan schools to measure and assess their operations in terms of volume and timeliness.

Direct Loan schools have to maintain documentation about their quality assurance activities in a QA master file. Although there is no QA reporting requirement, Direct Loan schools participating in QAP must complete a Title IV Management Assessment Worksheet to report results to ED using routine QAP reporting procedures.

Reference:

- HEA, Section 487A

Beginning with the 1999-2000 award year, QAP will include broader initiatives in awarding and disbursement, as well as exit and entrance counseling. The increased scope of the QAP will be a quality partnership that will serve all institutions participating in Title IV Program.

Schools that are interested in participating in QAP should contact ED's Performance and Accountability Improvement Branch (PAIB) at (202) 260-4788.

2.8 Refunds and Repayments

The Higher Education Amendments of 1998 changed the refund and repayment provisions. In addition to renaming the process "returning Title IV funds," it also revised how to calculate the amount that needs to be returned to Title IV programs when a student does not complete an enrollment or payment period. The new requirements go into effect on October 7, 2000, although schools can choose to implement them before this date. Many schools appear to be continuing to operate under the pre-

1998 Higher Education Amendments' refund and repayment provisions. This edition of *The Blue Book* will discuss refund and repayment provisions in effect before October 7, 2000 and highlight the return of Title IV funds provisions that go into effect October 7, 2000. Regulations on returning Title IV funds will be issued on the completion of negotiated rulemaking.

If a school wishes to implement these provisions before October 7, 2000, it must:

- establish a specific date to implement the new provisions,
- implement all of the provisions, and
- apply the provisions to all students who
  - enter after the implementation date and
  - have been advised of the new policy.

Overview of Refunds and Repayments

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

When a student receives financial aid, the aid is intended to cover that period of enrollment for which the student is being charged. As a result, the school has special responsibilities if the student:

- officially withdraws,
- drops out,
- is expelled,
- takes an unapproved leave of absence, or
- fails to return from an approved leave of absence.

In all of these cases, the student does not complete the enrollment period for which he or she was charged. As a result, the student might have (or the student's account might be credited with) unearned aid. Whenever a student fails to complete the period of enrollment for which he or she was charged, an institution must determine:

- whether unearned aid credited to the student's account to cover institutional costs must be refunded to Title IV programs, other sources of aid, and/or the student and
- whether unearned aid (usually paid in cash to the student) to cover institutional costs must be repaid by the student and then returned to the sources of financial aid.

General Definitions

A *refund* is the return of unearned aid (both Title IV and other sources of aid) that was originally credited to a student's institutional costs; any cash paid to the student is not involved in a refund calculation.

- The school must return the funds to Title IV programs first, other sources of aid second, and, if there are funds left, to the student third.

A *repayment* involves unearned aid (usually paid directly to the student as cash) to cover non-institutional costs.

- In this case, the student must return the unearned funds.
- Direct Loans or FFEL Program loans are not considered in repayment calculations. By signing the promissory note, the student has already agreed to repay the funds.

Federal Work-Study (FWS) funds that students earn for hours worked are not considered when calculating refunds and repayments. However, institutions are still required to perform the calculation for students whose only Title IV aid is FWS.

Refunds

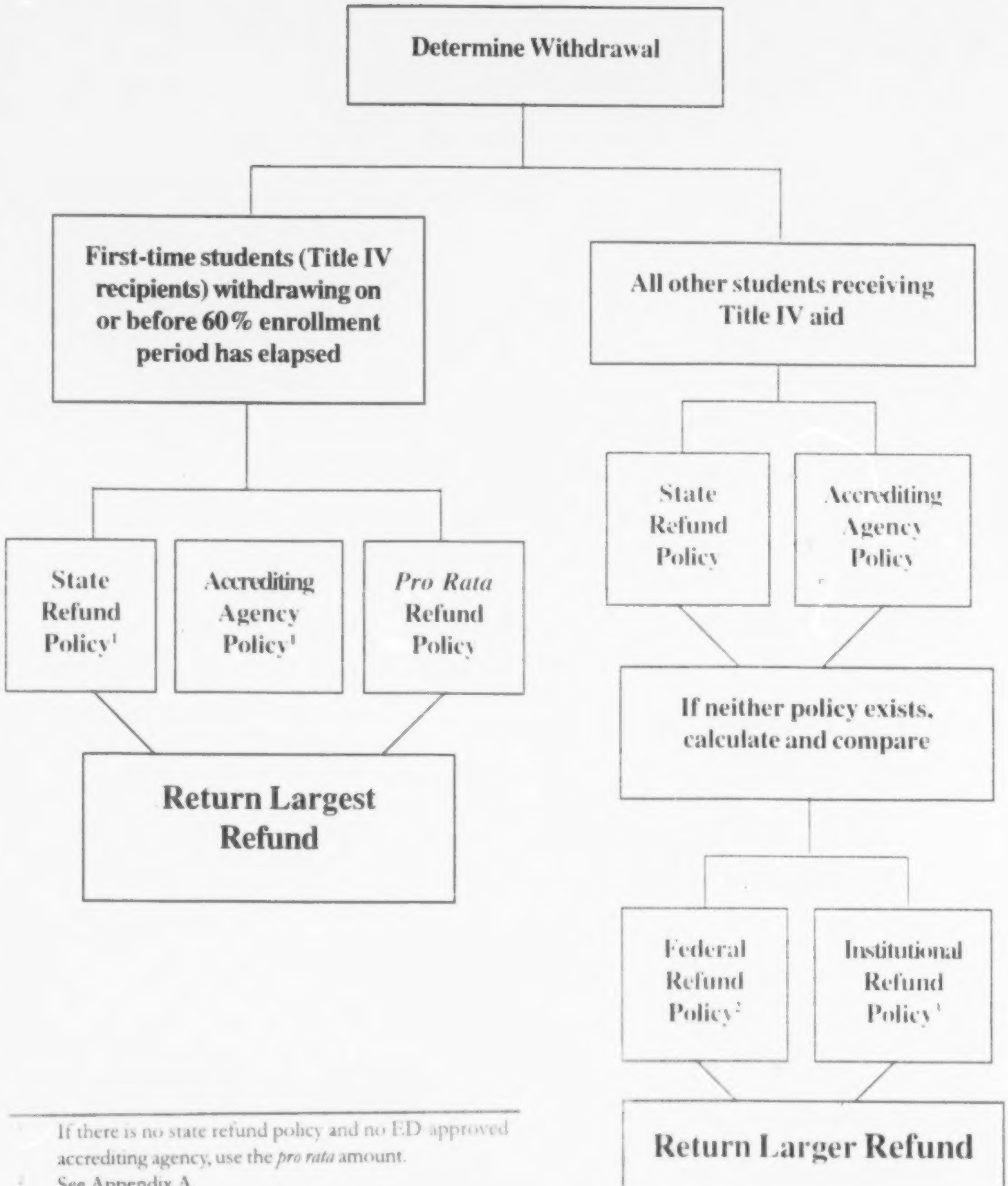
Under federal law, schools participating in any Title IV program are *required* to have, in writing, a "fair and equitable" refund policy. The flowchart on the next page shows the refund process and how the law defines it. A school satisfies this requirement of being "fair and equitable" by calculating all types of applicable refunds, then determining and using the largest amount.

An institution must provide Title IV recipients a refund of at least as much as the *largest* refund under the following three methods:

- the requirements of applicable state law or refund regulations promulgated by a state agency that were established through a legally enforceable regulatory process; *or*
- the specific refund requirements established by the school's nationally recognized accrediting agency *and* approved by the U.S. Secretary of Education*; *or*
- if applicable, a statutory *pro rata* refund calculation as defined by the Higher Education Amendments of 1992. This applies to all students who withdraw on or before the 60 percent point of the enrollment period for which they were charged.

***ED has not yet approved any accrediting agency refund policy.**

The Refund Process


Determine Withdrawal
First-time students (Title IV recipients) withdrawing on or before 60% enrollment period has elapsed
All other students receiving Title IV aid
State Refund Policy[1]
Accrediting Agency Policy[1]
Pro Rata Refund Policy
Return Largest Refund
State Refund Policy
Accrediting Agency Policy
If neither policy exists, calculate and compare
Federal Refund Policy[2]
Institutional Refund Policy[3]
Return Larger Refund

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[1] If there is no state refund policy and no ED approved accrediting agency, use the *pro rata* amount.

[2] See Appendix A.

[3] All schools do not necessarily have an institutional refund policy.

To calculate a refund that is at least as much as the largest refund produced by the three methods just outlined, a school must:

- calculate the results of each refund method separately,
- compare the resulting amounts, and
- use the calculation that provides the largest refund.

In cases where the *pro rata* calculation does not apply, a refund must be the larger of the results of the other two methods, as determined by state law or the school's accrediting agency.

In cases where no state or accrediting agency standards exist and *pro rata* does not apply, the school must calculate a refund using the federal refund calculation outlined in the Student Assistance General Provisions and the school's own refund policy (if one exists). The school must use the calculation that produces the larger refund.

Repayments

An institution must return repayments of $100 or more of a Federal Perkins Loan, Federal Pell Grant, or FSEOG to the appropriate program account within 30 days of the date the student makes the repayment.

Although an institution is not liable for any part of a repayment that a student owes, the institution is responsible for:

- notifying and billing the student for the amount due and
- collecting the repayment.

Until the repayment is resolved:

- the student is ineligible for further Title IV assistance and
- the school must report the repayment owed on any financial aid transcript completed for the student or on any submission to NSLDS.

In addition, if the school is unable to collect an FSEOG or Federal Pell Grant repayment from the student, the school must refer the student to ED for collection.

Beginning October 7, 2000 or earlier if the school chooses to implement the new "Return of Funds" provision, the concept of refunds will change from "refund of unearned institutional charges" to "return of unearned Title IV aid."

Reference:

- HEA, Section 484B

If a recipient of Title IV aid withdraws before completing 60 percent of the payment period (or period of enrollment), the institution must calculate the amount of Title IV aid the student did not earn. The amount of unearned aid equals the difference between Title IV aid that was disbursed or could have been disbursed for the payment period and the amount of Title IV aid that was earned.

When schools return unearned Title IV aid, schools

- deal with Title IV aid only,
- apply provisions to all Title IV aid recipients except FWS recipients, and
- reduce institutional charges,

In addition, there are no comparisons with other policies, no issues of unpaid charges, and no impact on nonfederal aid.

Factors Affecting Refund and Repayment

Before schools can effectively develop or implement their refund policies, they must understand a number of factors that underlie those policies and that relate to applicable laws and regulations such as:

- institutional costs,
- noninstitutional costs,
- unpaid charges,
- applying and disbursing aid,
- withdrawal date, and
- leave of absence.

Institutional Costs

Unless demonstrated otherwise, institutional costs are charges owed directly to the school for tuition, fees, room and board contracted with the school, and other charges assessed by the school.

An institutional cost does not have to be charged to all students or be listed as a charge in an enrollment agreement to be classified as an institutional cost. Other charges may be considered institutional charges if they are required for all students in a given program of study and if they are disclosed as such in the school's published consumer information.

New

Reference:

- *The Student Financial Aid Handbook: Institutional Eligibility and Participation*
- Policy Bulletin, Calculating Institutional Refunds: What are nstitutional Charges?, January 7, 1999

Books, supplies, and equipment are considered institutional charges if there is no real and reasonable opportunity to buy the books, supplies, or equipment from a source other than the institution.

New

Reference:

- *The Student Financial Aid Handbook: Institutional Eligibility and Participation*
- *Policy Bulletin,* Calculating Institutional Refunds: What are Institutional Charges?, January 7, 1999

Non-Institutional Costs

Non-institutional costs are those that are not owed directly to the school but are related to a student's education. Non-institutional costs include:

- room and board charges not contracted with the institution;
- charges for any required course materials that an institution can document are non-institutional because the student had a real and reasonable opportunity to purchase them elsewhere;
- a charge to a student's account for room charges that are collected by the institution, but are "passed through" to an unaffiliated entity;
- a charge to a student's account for group health insurance fees, if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal; *and*
- a charge to a student's account for discretionally, educationally related expenses such as
  - parking or library fines or
  - cost of athletic or concert tickets.

Reference:

- *The Student Financial Aid Handbook: Institutional Eligibility and Participation*

Unpaid Charges

When calculating a refund, schools must first determine the student's unpaid charges.

Total Institutional Costs
- Total Aid Paid to Institutional Costs
Scheduled Cash Payment (SCP)
- Student's Cash Paid
= Unpaid Charges

In calculating unpaid charges, schools must take into account any late Title IV funds for which the student is still eligible, such as an approved late disbursement of an FFEL Program loan or Federal Direct Loan. Any such late disbursements should be counted toward aid paid to institutional costs.

Applying and Disbursing Aid

Although schools may use whatever funds they receive first to pay outstanding direct costs, such as tuition, ED recommends that schools apply financial aid first to cover institutional costs.

- Schools generally do not wait to receive specific funds at their institutions to satisfy specific categories of direct costs.

This practice ensures that federal funds are used first to pay direct costs before funds are released to students for indirect costs, such as books and transportation. ED also recommends that schools develop written policies for applying financial aid to charges owed the school. Schools may wish to design a priority system that specifies the sources and types of aid that should first be applied to certain charges.*

- For example, a school might determine that grant funds (gift aid) from all sources would be used first to pay tuition, fees, and room and board owed the school. After all grant funds had been used, loans (self-help aid) would be credited to remaining charges for tuition, fees, and room and board. Any unused loan funds would be disbursed to the student as cash for other educationally related expenses.

**Schools must obtain students' written permission to credit their accounts for anything other than tuition, fees, and room and board contracted with the school.*

If financial aid credited to charges owed to the school is not sufficient to cover the charges, the student will still owe the school money. If the aid credited exceeds charges owed, the student (or parent, in the case of a PLUS Loan) will be due a cash disbursement in the form of cash or a check. Funds may be held in a student's account only with the student's written permission and only under certain circumstances. An institution must record which types of aid have been applied to institutional costs and which types were included in any cash disbursement. Such record keeping is essential for calculating Title IV refunds and repayments.

Withdrawal Date

Schools must determine a student's withdrawal date no later than 30 days after the expiration of the earliest of:

- the academic year in which the student withdrew,
- the period of enrollment for which the student has been charged, *or*

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

- the educational program from which the student withdrew.

The student's withdrawal date is:

- *for official withdrawal*—either the date that the student officially notifies the school that he or she is withdrawing or the date of the withdrawal specified by the student, whichever is later, *or*

- *for unofficial withdrawal*—the last date of class attendance that the school can document.

For correspondence courses, the date of withdrawal is the date of the last lesson submitted by the student. If the student establishes, in writing, the desire to continue in the program within 60 days of the date of the last submitted lesson, the school may restore "in-school" status on a one-time-only basis.

Beginning October 7, 2000, or earlier if the school chooses to implement the new "Return of Funds" provision, the definition of withdrawal date will be replaced by the following:

New

Reference:

- HEA, Section 484B

- for institutions required to take attendance, the date of withdrawal is the last date of recorded attendance.

- for institutions not required to take attendance, the withdrawal date (determined by the school) is:
  - the date the student began the withdrawal process prescribed by the school;
  - the date that the student otherwise provided the school with official notification of the intent to withdraw; or
  - if a student unofficially withdraws, the midpoint of the payment period for which Title IV aid was disbursed or a later date documented by the institution.

Special rule: The institution may determine the appropriate withdrawal date if the student did not begin the withdrawal process or otherwise notify the institution of the intent to withdraw due to:

- illness
- accident,
- grievous personal loss,
- other such circumstances beyond the student's control.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

Leave of absence

An approved leave of absence (LOA) is not considered a withdrawal. An LOA may be approved by the school if:

- the student requests the LOA in writing,
- the LOA does not exceed 60 days,
- the LOA does not involve additional charges to the student, and
- there is no more than one approved LOA for the student in any 12-month period.

Any LOA that does not meet the above criteria is considered a standard withdrawal, and a refund calculation must be performed.

If a student does not return after an approved LOA, the student is considered as having withdrawn. A refund calculation must be performed, using a withdrawal date that is the student's last recorded date of attendance before the beginning of the LOA. Any required refund must be paid within 30 days after the LOA expires.

New

Reference:

- HEA, Section 484B

Beginning October 7, 2000, or earlier if the school chooses to implement the new "Return of Funds" provision, an institution can grant a student LOA provided that:

- the student follows the school's procedures for requesting the LOA,
- the LOA does not exceed 180 days in length in any 12-month period; and
- the LOA does not involve additional charges to the student.

During the LOA, the student is not considered to have withdrawn and no refund calculation is required if:

- the institution has a formal LOA policy,
- the student followed the institution's policy in requesting an LOA, *and*
- the institution approved the request in accordance with its policy.

If a student does not return to the institution at the end of an approved LOA, the institution is required to calculate a refund based on the date the student withdrew.

2.9 Record Maintenance and Retention Requirements

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

Institutions participating in Title IV programs collect and generate a significant volume of program-related and student-related information on a yearly basis. Federal regulations specify which of these records must be maintained and the period of time for which they must be retained. These record maintenance and retention requirements are school-wide and include fiscal, financial aid, and general institutional records.

The importance of maintaining complete and consistent records cannot be overemphasized. These records are used to document a school's administrative capability and financial responsibility and are crucial in maintaining eligibility to participate in Title IV programs. As such, schools must make student financial aid program and general records available to auditors and representatives of ED at their request. Records that are poorly maintained or that are not readily available for review can lead to findings, exceptions, and liabilities in the course of an audit or program review.

This section describes the record-keeping requirements contained in ED regulations. A discussion of the Family Educational Rights and Privacy Act (FERPA) is also included. FERPA is an important law that protects the privacy of students and families by controlling disclosure of student records to parties outside the institution and by allowing students access to their own school records.

General Student Records

Schools must establish, maintain, and keep current certain records pertaining to Title IV recipients. For each student receiving Title IV funds, a school must keep records of:

- the student's admission and enrollment status at the institution,
- the program of study and the courses in which the student has enrolled,
- the student's academic progress,
- all financial aid the student receives at the institution,
- the student's prior receipt of financial aid at other institutions, if applicable,
- all refunds due or paid to the student, Title IV programs, or FFEL Program lenders,

- the student's job placement (if the school provides a placement service and the student uses that service), and
- verification of information reported on the student's financial aid application.

For *all* students, not just Title IV recipients, the school must keep records about its admission requirements and the educational qualifications of each student admitted to or enrolled in each eligible program.

Schools must also keep records relating to student consumer-information requirements and to requirements under the Student Right-To-Know Act (SRK) and Campus Security Act.

General Institutional Records

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

Schools must maintain all records that relate generally to the institution's eligibility to participate in Title IV programs. Examples include:

- the institution's Program Participation Agreement with ED;
- accrediting and licensing agency reviews, approvals, and reports;
- state agency reports;
- audit and program review reports; and
- self-evaluation reports.

General Fiscal Records

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.24(b)

A school must keep consistent and accurate records of its use of Title IV funds. Program and fiscal records must show a clear (easily followed) audit trail for expenditures of federal funds. Similarly, these records must clearly show that funds were obtained, managed, disbursed, and returned in accordance with federal regulations. Fiscal records that must be maintained include:

- records of all Title IV program transactions,
- bank statements for accounts containing Title IV funds,
- student accounts, including (for each enrollment period) institutional charges, cash payments, Title IV payments, cash disbursements, refunds, and repayments,
- general ledger (control accounts) and related subsidiary ledgers that identify each program transaction and separate those transactions from the institution's other financial transactions,

- Federal Work-Study (FWS) payroll records, and
- records that support data that appear on required reports.

Specific fiscal record-keeping requirements for each Title IV program are discussed in that program's regulations.

Financial Aid Application and Award Records

Reference:
- 34 CFR 668.24(c)

Schools are required to keep extensive records involving student applications for financial aid and financial aid awards. Required records include:

- student applications for financial aid and need analysis documents for all eligible aid applicants who attended the school, *whether or not they received any financial aid,*
- documents establishing a student's financial need and eligibility for Title IV aid,
- financial aid awards made to and accepted or declined by students,*
- cost of attendance information for individual students,
- verification documents, including student (and spouse, if applicable) and parent federal tax returns,
- records of FFEL Program loans and Federal Direct Loans,
- documentation of required entrance and exit loan counseling for students borrowing under the FFEL, Federal Direct Loan, and Federal Perkins Loan Programs,
- data used to establish a student's full-time or part-time enrollment status and period(s) of enrollment,
- records of refunds due or paid to students, Title IV program accounts, or FFEL Program lenders, and
- required certification statements and any documents used to support or verify those certifications.

***Schools have to provide auditors or program reviewers with records of the notifications to students of their financial aid awards.**

Reporting Records

Schools must maintain reports or copies of reports submitted or received in connection with administering Title IV programs, including—

- Fiscal Operations Report and Application to Participate (FISAP),

- Federal Pell Grant Program Electronic Statements of Account (ESOAs),
- ED's Payment Management System cash requests and quarterly or monthly reports,
- Grant Administration and Payment System (GAPS) cash requests,
- reconciliation reports for Title IV programs,
- federal, state, and independent audit reports and school responses,*
- state grant and scholarship award rosters and reports, and
- accrediting and licensing agency reports.

***A school is required to keep all student records that pertain to an audit or program review findings in case any finding is still pending.**

In addition, schools must maintain records that support the data that appear on all required reports.

Program Records

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.24(a)

Schools must also keep records that relate specifically to each Title IV program, including–

- records of its eligibility to participate in the Title IV programs,
- records of the eligibility of its educational programs for Title IV funds,
- records of its administration of Title IV program according to all applicable requirements,
- records of its financial responsibility,
- records of information included in any application for Title IV funds, and
- records of its disbursement and delivery of Title IV funds.

Federal Pell Grant Program

Reference:
- 34 CFR 668.24
- 34 CFR 690.82

For the Federal Pell Grant Program, schools must maintain:

- a valid Institutional Student Information Record (ISIR) or Student Aid Report (SAR) of each student applying for a Federal Pell Grant,
- records of the eligibility of each enrolled student for whom the school has an ISIR** or SAR,

****The ISIR must be maintained in the format in which it was originally received from ED.**

- the name and Social Security number of and the amount paid to each student,
- the amount and date of each payment,
- the amount and date of any overpayment that is restored to the program account,
- each student's cost of attendance,
- how each student's full-time or part-time enrollment status was determined, and
- records of each student's enrollment period.

FSEOG Program

Reference:
- 34 CFR 676.19

For the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, schools must maintain:

- program records that are reconciled at least monthly,
- each student's account and status,
- the eligibility of each student assisted under the program and how each student's need was met,
- all FSEOG applications for those students reported on the FISAP,
- all records supporting the school's application for FSEOG funds, and
- a noncash-contribution record to document payment of the institution's share of grants to students.

Federal Perkins Loan Program

Reference:
- 34 CFR 674.19

For the Federal Perkins Loan Program, schools must maintain:

- program and fiscal records that are reconciled at least monthly,
- each student's account and status,
- the eligibility of each student assisted under the program and how each student's need was met,
- original promissory notes and repayment schedules in a locked, fireproof container until the loans are satisfied or until they are assigned to ED for collection or as long as the documents are needed to enforce the loan obligation,

- all loan applications for those students reported on the FISAP,
- all records supporting the school's application for funds under the Federal Perkins Loan Program,
- a repayment history for each borrower that shows the date and amount of each repayment over the life of the loan and that indicates the amount of each repayment credited to principal, interest, collection costs, and penalty or late charges,
- documentation of the date, nature, and result of each contact with the borrower or endorser in collection of an overdue loan, including copies of all correspondence to or from the borrower and endorser (except bills, routine overdue notices, and routine form letters),
- payment records (including cancellation and deferment requests),
- collection agency reports,
- litigation records (if litigation occurred), and
- information collected at entrance and exit loan counseling conducted for the borrower.

Federal Work-Study

Reference:

- 34 CFR 675.19

For the Federal Work-Study (FWS) Program, schools must maintain:

- program records that:
  - are reconciled at least monthly,
  - identify each student's account and status,
  - show the eligibility of each student assisted under the program, and
  - show how each student's need was met,
- all employment applications for those students reported on the FISAP,
- all records supporting the school's application for FWS funds,
- a certification that each student has worked and earned the amount paid, signed by the student's supervisor, an official of the institution, or off-campus employer,

- for students paid on an hourly basis, a time sheet showing the hours each student worked in clock-time sequence or the total hours worked each day,
- a payroll voucher containing sufficient information to support all payroll disbursements, and
- a noncash-contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment.

Federal Family Education Loan Program

Reference:
- 34 CFR 682.610

For the Federal Family Education Loan (FFEL) Program, schools must maintain:

- a copy of the loan application or data electronically submitted to the lender,
- the name and address of the lender,
- the amount of the loan and the loan period,
- the data used to construct an individual student's budget or the school's itemized standard budget used to calculate students' estimated costs of attendance,
- the sources and amounts of financial aid available to the student that the school used to determine the student's estimated financial aid for the loan period,
- the amount of the student's tuition and fees paid for the loan period and the date the student paid the tuition and fees,
- the amount and basis of the calculation of any refund paid to or on behalf of a student,
- for a subsidized Federal Stafford Loan for which the borrower receives an interest subsidy, the data used to determine the student's Expected Family Contribution (EFC) and the corresponding certification by the school to the lender,
- the date of each disbursement of the loan and the amount of that disbursement,
- the date the school endorsed each loan check,
- the date(s) loan proceeds were delivered by the school to the student,

- for loans delivered by electronic funds transfer (EFT) or master check and the school has no authorization on the loan application, the school must retain a copy of the student's written authorization for initial and subsequent disbursements,
- documentation that the student received entrance and exit loan counseling, and
- litigation records (if litigation occurred).

In addition, schools must maintain any other records that document their compliance with any applicable loan-related requirements.

Federal Direct Loan Program

Reference:

- 34 CFR 685.309

For the Federal Direct Loan Program, schools must maintain a copy of the application data submitted to ED and, on request, produce a record of:

- the amount of the loan and the loan period,
- the amount and date of tuition and fees paid for the loan period,
- the data in an individual student budget or the school's itemized standard budget that were used in calculating the student's estimated cost of attendance,
- the sources and amounts of financial aid available to the student that the school used to determine the student's estimated financial aid for the loan period,
- the cost of attendance used to determine the student's loan,
- the amount and basis of the calculation of any refund paid to or on behalf of a student,
- for a subsidized Direct Loan, the data used to determine the student's EFC,
- for a subsidized or unsubsidized Direct Loan, the date of each disbursement of the loan,
- the date of each disbursement of the loan and the amount of the disbursement,
- the borrower's information collected at the exit interview and documentation that confirms that the student received entrance and exit loan counseling,
- all record involved in any loan, claim, or expenditure questioned by a federal audit until the resolution of any audit questions,

- program records that are reconciled at least monthly,
- each student's account and status, and
- the eligibility of each student assisted under the program and how each student's need was met.

Record-Retention Requirements

Schools must retain all required records for a minimum of three years. However, the starting point is not the same for all records. The table below describes the required minimum retention period for records under various Title IV programs. In addition, some states require schools to retain such records for longer periods.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.24(e)

Minimum Record-Retention Periods

Title IV Program	End of the award year in which the report was submitted	End of the award year for which the aid was awarded	End of the award year in which the student last attended	The loan is satisfied or the documents are needed to enforce the obligation	The date on which a loan is assigned to ED, cancelled, or repaid
Campus-Based and Pell Grant		3 Years			
Except:					
• Fiscal Operations Report and Application to Participate (FISAP) and supporting records	3 Years				
• Perkins repayment records					3 Years
• Perkins original promissory notes and repayment schedules				Until	
FFEL and Direct Loans					
• Records related to borrower's eligibility and participation			3 Years		
• All other records, including any other reports or forms	3 Years				

Record Maintenance

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.24(d)

A school must maintain all required records in a systematically organized manner. Unless a specific format is required, a school may keep required records in hard copy, microform, computer file, optical disk, CD-ROM, or other media form.

Regardless of the format used to keep a record, all records (except ISIRs) must be retrievable in a coherent hard copy format.

- A coherent hard copy format includes, for example, an easily understandable print out of a computer file.

Any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be maintained in its original hard copy or in an imaged media format.

- A school may maintain a record in an imaged media format only if the format is capable of reproducing an accurate, legible, and complete copy of the original document. When printed, the copy must be approximately the same size as the original document.

Special Requirements

Special maintenance and availability requirements apply to SARs and ISIRs because it is essential that these basic eligibility records be available in a consistent, comprehensive, and verifiable format for program review and audit purposes.

Reference:
- 34 CFR 668.24(d)(3)(ii)

- The SAR must be available in its original hard copy format or in an imaged media format.
- The ISIR, an electronic record, must be maintained and available in its original format*, that is, as it was supplied by ED to the school.

***The original format is in the form of a magnetic tape, cartridge, or as it was archived using EDExpress software.**

A school that uses EDExpress software has the ability to maintain the ISIR data that it has maintained during the award year by archiving the data to a disk or other computer format.

Records Examination

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.24(f)

Schools must make their records available to ED at an institutional location that ED designates. These records must be readily available for review, including any records of transactions between a school and the financial institution where the school deposits its Title IV funds.

A school and its third-party servicer must cooperate with the agencies or individuals conducting audits, program reviews, investigations, or other reviews authorized by law. This cooperation must be extended to the following individuals and their authorized representatives:

- independent auditors,
- the U.S. Secretary of Education,
- ED's Inspector General,
- the Comptroller General of the United States,
- any guaranty agency in whose program the school participates, and
- the school's accrediting agency.

A school or its third-party servicer in the review process must cooperate by providing timely access to requested records, pertinent books, documents, papers, or computer programs for examination and copying.

A school or its third-party servicer must also provide reasonable access to all personnel associated with the school's or servicer's administration of federal student financial aid programs so that any of the agents listed above may obtain relevant information. A school or its third-party servicer has not provided reasonable access if it:

- refuses to allow personnel to supply all relevant information,
- permits interviews with those personnel only if the school's or servicer's management is present, *or*
- permits interviews with those personnel only if the interviews are tape recorded by the school or servicer.

If ED requests it, a school or its third-party servicer must promptly provide any information about the last known address, full name, telephone number, enrollment information, employer, and employer address of Title IV fund recipients who attend or attended the school. A school must also provide this information, on request, to a lender or guaranty agency in the case of a borrower under the FFEL Program.

Reference:

- 34 CFR 668.24(d)(4)(i)(ii)

A school must still maintain required records, if the school:

- stops providing educational programs,
- is terminated or suspended from participating in a Title IV program(s),

- undergoes a change of ownership that results in a change in control, or
- closes.

These records must be accessible for inspection and copying by the Secretary or the Secretary's authorized representative *and* the appropriate guaranty agency (if applicable).

Disclosing Student Information

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

Reference:

- 34 CFR Part 99

The Family Education Rights and Privacy Act of 1974 (FERPA) sets certain conditions on disclosure of personal information from records kept by schools participating in Title IV programs. The law pertains to all students attending these schools, not just Title IV recipients. In addition, federal regulations issued under FERPA apply to all school records, including admissions records, academic records, and financial aid records.

FERPA excludes from the definition of "education records" (and from the restrictions and rights of access under FERPA) records that are maintained by a law enforcement unit of an education agency or institution that were created by that unit for the purpose of law enforcement.

School Requirements

Under FERPA, a school is required to:

- develop a written policy listing the types and locations of education records maintained by the school and stating the procedures for students and parents to review the records,
- notify students and parents of their rights with respect to education records, and
- document the student's file each time personally identifiable information is disclosed to a person other than the student.

Student Rights

A student has the right to:

- inspect and review his or her education records,
- request an amendment to the records, and

- if the request for an amendment is denied, to request a hearing to challenge the contents of the education records on the grounds that the records are inaccurate, misleading, or violate the student's rights.

Disclosure to Third Parties

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

FERPA regulations also govern the disclosure of student information to parties other than the student. There are several conditions under which personally identifiable information may be disclosed without the student's prior written consent. Some of these conditions are of interest to the fiscal officer:

- Disclosure may be made to authorized representatives of ED, ED's Office of Inspector General, or state and local education authorities. These officials may have access to records as part of an audit or program review or to ensure compliance with Title IV program requirements.
- Disclosure may be made if it is in connection with financial aid that the student received or applied for. Information may only be released if it is needed to determine the amount of the aid, the conditions for the aid, the student's eligibility for the aid, or to enforce the terms or conditions of the aid.
- Disclosure may be made to the student's parent, if the student is a dependent of the parent as defined by the Internal Revenue Service.
- Disclosure may be made to organizations that are conducting studies concerning administration of student aid programs on behalf of educational agencies or institutions.

Recording Disclosures

Schools are required to keep a record of each request for access and each disclosure of personally identifiable student information. The record must identify the parties who requested the information and their legitimate interest in the information. This disclosure record must be maintained as long as the records themselves are maintained.

Record Management Procedures

It is essential that schools maintain records related to Title IV programs in an organized manner. Good record-management procedures assist institutions in carrying out daily functions associated with administering Title IV funds, filing required reports in an accurate and timely manner, and maintaining a clear audit trail.

One important aspect of record management is careful and orderly filing of original records. Many schools establish individual, cumulative student aid files, separating documents within each student's file on the basis of award year.

Clear Audit Trail

Although it is important to keep original records used in processing financial aid, schools must also have a record-keeping system that traces transactions involving those records. A school's record-keeping procedures should allow for establishing and maintaining a clear (easily followed) audit trail. A clear audit trail is defined as maintaining required documentation that supports each transaction involving receiving or expending federal funds.

A school may maintain records in a manual, paper-based system or in a computer database, or it may use a combination of these methods. For example, a school that uses an automated system to manage records might also maintain paper files that contain original documents needed to support the electronic information stored in a database. As imaging technology becomes more available, schools might choose to maintain electronically imaged documents in lieu of paper originals.

In-House Control Documents

The in-house control documents a school uses to manage records can vary on the basis of institutional policies and procedures. Some commonly used control documents, whether paper or electronic, include:

- a communication log that summarizes all in-person or telephone contacts with a student or about a student's financial aid;
- a document control checklist that monitors documents received against documents needed to process a student's financial aid;
- an award packaging log that shows how and when a student's award was packaged and by whom;
- a loan status log for each federal student loan program that tracks loan applications, disbursements, entrance and exit loan counseling, refunds, repayments, and collection activities (if applicable); and
- a student master record that contains financial aid information for a student for each award year.

Student Master Record

A student master record is used to record basic information relating to a student's application for and receipt of financial aid. The student master record typically contains:

- demographic information, such as name, address, date of birth, and citizenship status;
- enrollment information, such as admission status, enrollment dates, credits attempted and completed, and grade point average;
- need analysis information, such as Expected Family Contribution (EFC), family income, and cost of attendance (COA);
- award information, such as amounts and sources of funds awarded and whether awards were accepted or declined; and
- student account information, such as tuition and fee charges assessed, cash payments made by a student or parent, financial aid disbursements, and refunds and repayments.

Appendix F—Ratio Methodology for Proprietary Institutions

Section 1: Ratios and Ratio Terms

$$\text{Primary Reserve Ratio} = \frac{\text{Adjusted Equity}}{\text{Total Expenses}}$$

$$\text{Equity Ratio} = \frac{\text{Modified Equity}}{\text{Modified Assets}}$$

$$\text{Net Income Ratio} = \frac{\text{Income Before Taxes}}{\text{Total Revenues}}$$

Definitions:

- **Adjusted Equity** = (total owner's equity) – (intangible assets) – (unsecured related-party receivables) – (net property, plant, and equipment)* + (post-employment and retirement liabilities) + (all debt obtained for long-term purposes)**
- **Total Expenses** excludes income tax, discontinued operations, extraordinary losses, or change in accounting principle.
- **Modified Equity** = (total owner's equity) – (intangible assets) – (unsecured related-party receivables)
- **Modified Assets** = (total assets) – (intangible assets) – (unsecured related-party receivables)
- **Income Before Taxes** is taken directly from the audited financial statement.
- **Total Pre-Tax Revenues** = (total operating revenues) + (non-operating revenue and gains) Investment gains should be recorded net of investment losses. No revenues shown after income taxes (e.g., discontinued operations, extraordinary gains, or change in accounting principle) on the income statement should be excluded.

* The value of plant, property, and equipment is net of accumulated depreciation, including capitalized lease assets.

** The value of all debt obtained for long-term purposes includes the short-term portion of the debt, up to the amount of net property, plant, and equipment.

Source: 34 CFR 668 Subpart K. Added November 25, 1997, effective July 1, 1998.

Appendix F—Ratio Methodology for Proprietary Institutions

Section 2, Calculating the Ratios from the Balance Sheet and Income Statement

Balance Sheet

Line		
1	Cash	$ 190,000
2	Accounts Receivable	1,010,000
3	Prepaid Expenses	150,000
4	Inventoried	130,000
5	Note Receivable from Affiliate	200,000
6	Investments	330,000
7	**Total Current Assets**	2,010,000
8	Property and Equipment, net	500,000
9	Amount Due from Owner	170,000
10	Goodwill	80,000
11	Organization Costs	70,000
12	Deposits	60,000
13	**Total Assets**	2,890,000
14	Accounts Payable	200,000
15	Accrued Expenses	330,000
16	Current Portion of Long-Term Debt	120,000
17	Deferred Revenue	650,000
18	**Total Current Liabilities**	1,300,000
19	Long-Term Debt, net of Current Portion	330,000
20	**Total Liabilities**	1,630,000
21	Contributed Capital	440,000
22	Retained Earnings	820,000
23	**Total Owner's Equity**	1,260,000
24	**Total Liabilities and Owner's Equity**	2,890,000

Statement of Income and Retained Earnings

Line		
25	Operating Income	$ 9,700,000
26	Non-Operating Income	300,000
27	**Total Income**	10,000,000
28	Cost of Goods Sold	6,800,000
29	Administrative Expenses	2,600,000
30	Depreciation Expense	60,000
31	Interest Expense	40,000
32	**Total Expenses**	9,500,000
33	Other: Gain on Sale of Investments	10,000
34	**Net Income Before Taxes**	510,000
35	Federal Income Taxes	153,000
36	**Net Income After Taxes**	357,000
37	Extraordinary Loss, net of Tax	800,000
38	**Net Income**	(443,000)
39	Retained Earnings, Beginning of year	1,263,000
22	**Total Expenses**	820,000

Primary Reserve Ratio $= \text{(lines)}\ \frac{23-5-9-10-8+(16+19)^{*}}{32} = \frac{\$\ 760,000}{\$9,5000,000} = 0.080$

Equity Ratio $= \text{(lines)}\ \frac{23-5-9-10}{13-5-9-10} = \frac{\$\ 810,000}{\$2,440,000} = 0.332$

Net Income Ratio $= \text{(lines)}\ \frac{34}{27+33} = \frac{\$\ 510,000}{\$10,010,000} = 0.051$

- Long-Term Debt (lines 16 + 19) cannot exceed Property and Equipment (line 8) in the formula.

Source: 34 CFR 668 Subpart K. Added November 25, 1997, effective July 1, 1998

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Appendix F—Ratio Methodology for Proprietary Institutions

Section 3: Calculating the Composite Score

Step 1: Calculate the strength factor score for each ratio, by using the following algorithms:

	Example (for Proprietary Institutions)
•Primary Reserve strength factor score = 20 x* Primary Reserve ratio result:	20 x 0.080 = 1.600
•Equity strength factor score = 6 x Equity ratio result:	6 x 0.332 = 1.992
•Net Income strength factor score = 1 + (33.3 x Net Income ratio result):	1 + (33.3 x 0.051) = 2.698

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for that ratio is 3. If the strength factor score for any ratio is less than or equal to -1, the strength factor score is that ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores.

	Example (for Proprietary Institutions)
•Primary Reserve weighted score = 30% x Primary Reserve strength factor score:	0.30 x 1.600 = 0.480
•Equity weighted score = 40% x Equity strength factor score:	0.40 x 1.992 = 0.797
•Net Income weighted score = 30% x Net Income strength factor score:	0.30 x 2.698 x = 0.809
•Composite score = sum of all weighted scores:	0.480 + 0.797 + 0.809 = 2.086
•Round the composite score to one digit after the decimal point to determine the final score:	2.1

* The symbol "x" denotes multiplication.

Source: 34 CFR 668 Subpart K. Added November 25, 1997, effective July 1, 1998

Appendix G—Ratio Methodology for Private Non-Profit Institutions

Section 1: Ratios and Ratio Terms

$$\text{Primary Reserve Ratio} = \frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

$$\text{Equity Ratio} = \frac{\text{Modified Net Assets}}{\text{Modified Assets}}$$

$$\text{Net Income Ratio} = \frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenue}}$$

Definitions:

- **Expendable Net Assets** = (unrestricted net assets) + (temporarily restricted net assets) – (annuities, term endowments, and life income funds that are temporarily restricted) - (intangible assets) - (net property, plant, and equipment)* + (post-employment and retirement liabilities) + (all debt obtained for long-term purposes)**
- **Total Expenses** is the total unrestricted expenses taken directly from the audited financial statement.
- **Modified Net Assets** = (unrestricted net assets) + (temporarily restricted net assets) + permanently restricted net assets) - (intangible assets) - (unsecured related-party receivables)
- **Modified Assets** = (total assets) – (intangible assets) – (unsecured related-party receivables)
- **Change in Unrestricted Net Assets** is taken directly from the audited financial statement.
- **Total Unrestricted Revenue** is taken directly from the audited financial statement. (This amount includes net assets released from restriction during the fiscal year.

* The value of plant, property, and equipment is the net of accumulated depreciation, including capitalized lease assets.

** The value of all debt obtained for long-term purposes includes the short-term portion of the debt, up to the amount of net property, plant, and equipment.

Source: 34 CFR 668 Subpart K. Added November 25, 1997, effective July 1, 1998.

Balance Sheet

Line		
1	Cash and Cash Equivalents	$ 1,000,000
2	Accounts Receivable	6,000,000
3	Prepaid Expenses	1,500,000
4	Inventories	500,000
5	Contributions Receivable	2,000,000
6	Student Loans Receivable	8,000,000
7	Investments	6,000,000
8	Property and Equipment, net	50,000,000
9	Bond Insurance Costs	720,000
10	Goodwill	500,000
11	Deposits	20,000
12	**Total Assets**	76,240,000
13	Line of Credit	500,000
14	Accounts Payable	2,000,000
15	Accrued Expenses	3,500,000
16	Deferred Revenue	650,000
17	Post-Retirement Benefits Liability	6,600,000
18	Bonds Payable	36,000,000
19	**Total Liabilities**	49,250,00
20	**Unrestricted Net Assets**	15,190,000
21	Annuities	300,000
22	John Doe Scholarship Fund	2,500,000
23	**Total Temp. Restricted Net Assets**	2,800,000
24	**Permanent Restr. Net Assets**	9,000,000
25	**Total Net Assets**	26,990,000
26	**Total Liabilities & Net Assets**	76,240,000

Source: 34 CFR 668 Subpart K. Added November 25, 1997, effective July 1, 1998.

Statement of Activities (column: a b c d)

Line		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
27	Tuition and Fees	$45,000,000			$45,000,000
28	Contributions	1,200,000	$300,000	$120,000	1,620,000
29	Auxiliary Enterprises	5,500,000			5,500,000
30	Net Assets Released from Restrictions	200,000			200,000
31	**Total Revenue**	51,900,000	300,000	120,000	52,320,000
32	Operating Expenses	38,000,000			38,000,000
33	Depreciation	5,000,000			5,000,000
34	Interest Expense	2,880,000			2,880,000
35	Auxiliary Enterprise	5,200,00			5,200,000
36	Non-Operating Expenses	900,000			900,000
37	Net Assets Released from Restrictions		200,000	----	200,000
38	**Total Expenses**	51,980,000	200,000	----	52,180,000
39	**Change in Net Assets**	(80,000)*	100,000	120,000	140,000
40	Net Assets at beginning of year	15,270,000	2,700,000	8,880,000	26,850,000
41	Net Assets at end of year	15,190,000	2,800,000	9,000,000	26,990,000

Primary Reserve Ratio = (lines) $\frac{20+23-21-10-8+18^{**}+17}{38\text{ a}} = \frac{\$9,790,000}{\$51,980,000} = 0.188$

Equity Ratio = (lines) $\frac{25-10}{12-10} = \frac{\$26,490,000}{\$75,740,000} = 0.350$

Net Income Ratio = (lines) $\frac{39\text{ a}}{31\text{ a}} = \frac{\$\ (80,000)}{\$51,900,000} = (0.0015)$

* In accounting statements, parenthesis denote negative numbers (i.e., (80,000) equals negative 80,000).

** Long-Term Debt (line 18) cannot exceed Property and Equipment, net (line 8) in this formula.

Appendix G—Ratio Methodology for Private Non-Profit Institutions

Section 3: Calculating the Composite Score

Step 1: Calculate the strength factor score for each ratio, by using the following algorithms:

	Example (for Private Non-Profit Institutions)
•Primary Reserve strength factor score = 10 x* Primary Reserve ratio result:	10 x 0.188 = 1.880
•Equity strength factor score = 6 x Equity ratio result:	6 x 0.350 = 2.100
•Because the Net Income ratio is negative, the algorithm for negative net income is used—Net Income strength factor score = 1 + (25 x Net Income ratio result):	1 + (25 x -0.0015) = 0.963

(Note: If the Net Income ratio result is positive, the following algorithm is used, Net Income strength factor score = 1 + (50 + Net Income ratio result)—If the Net Income ratio result is 0, the Net Income strength factor score is 1).

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for that ratio is 3. If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores.

	Example (for Private Non-Profit Institutions)
•Primary Reserve weighted score = 40% x Primary Reserve strength factor score:	0.40 x 1.880 = 0.752
•Equity weighted score = 40% x Equity strength factor score:	0.40 x 2.100 = 0.840
•Net Income weighted score = 20% x Net Income strength factor score:	0.20 x 0.963 x = 0.193
•Composite score = sum of all weighted scores:	.752 + 0.840 + 0.193 = 1.785
•Round the composite score to one digit after the decimal point to determine the final score:	1.8

* The symbol "x" denotes multiplication.

Source: 34 CFR 668 Subpart K Added November 25 1997, effective July 1 1998

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Chapter 3

Obtaining Authorization for Campus-Based Funding

Summary

This chapter gives an overview of fiscal matters that pertain to the campus-based programs (Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and Federal Perkins Loan). Topics discussed include the funding process, federal and nonfederal shares of funding, administrative cost allowance, and funds available for awards.

Key Terms

- administrative cost allowance (ACA)
- allocation
- carry forward/carry back
- community service
- Department of Education Central Automated Processing System (EDCAPS)
- Federal Capital Contribution (FCC)
- Federal Perkins Loan
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Work-Study (FWS)
- Fiscal Operations Report and Application to Participate (FISAP)
- Institutional Capital Contribution (ICC)
- Job Location and Development (JLD) Program
- level of expenditure (LOE)
- nonfederal share
- Work-College Program

3.1 Funding Process

Campus-based funds are allocated by the U.S. Department of Education (ED) to institutions that then, in turn, administer the funds on behalf of ED and according to applicable laws and regulations. These programs are referred to as "campus-based" because they are administered directly by schools rather than by ED.

To receive campus-based funds, eligible institutions must apply for the funds annually. Schools also must report on their use of campus-based funds on an annual basis. The report used to satisfy both these requirements is the Fiscal Operations Report and Application to Participate (FISAP).

Reference:

- *Student Financial Aid Handbook: Campus-Based Programs Reference*

Reference:

- See Chapter 6 of this book

Applying for Funds

To receive campus-based funds for one or more campus-based programs, schools must submit a FISAP to ED for each award year that they wish to receive funds. The deadline for filing the FISAP is October 1 of the calendar year that precedes the award year. For example, for 2000-01 award-year funding, institutions must file a FISAP by October 1, 1999.

All schools that apply are required to use the electronic FISAP. ED no longer provides or accepts paper, diskettes, or magnetic FISAP forms. Beginning with the 1999-2000 award year, schools will be required to submit their FISAP to the campus-based program contractor via TIV WAN using the EDConnect and FISAP for Windows software. The data will be processed and returned to the school's electronic mailbox.

Reference:

- *Federal Register*, September 19, 1997
- DCL-CB-98-2
- DCL-CB-98-16

Using the information on the FISAP, ED determines the amount of federal funds the school will receive for the award year for one or more of the campus-based programs. This amount is called an "allocation."

Reference:

- See Chapter 6 of this book

Allocating Funds

ED calculates a school's allocation of campus-based funds on the basis of allocation formulas prescribed in federal law and funding appropriated by Congress. An institution will not receive an allocation that exceeds the amount it requested on its FISAP, even if it is eligible for additional funds.

Reference:

- HEA, Part A, Section 413(D)(a)
- HEA, Part C, Section 442(a)(b)
- HEA, Part E, Section 446(a)(b)
- DCL-CB-99-4
- DCL-CB-98-28

Beginning with the 2000-01 award year and thereafter, the allocation formulas will change. The base for the allocation will be equal to the total of the base guarantee plus the pro-rata share amount received for the 1999-2000 award year. Any appropriations above this amount will be distributed under the fair share calculation using the latest data available.

For 2000-01, the pro-rata share will be eliminated and the allocation will be based on an institution's 1999-2000 base guarantee. Funds in excess of the base guarantee will be distributed totally through a fair-share computation. However, the base guarantee for a specific award year will be zero for any institution with a cohort default rate of 25 percent or higher for the Federal Perkins Loan Program.

In March each year, ED sends schools an "Official Notice of Funding" to notify them of their final allocations* for each campus-based program. This notice is a school's authorization to spend up to the amount of federal funds listed for each campus-based program in which it participates and for which it has requested funds. A sample copy of an "Official Notice of Funding" for an initial allocation begins on page 3-4.

***Beginning with the 2000-2001 FISAP, tentative and final allocations will be sent to schools electronically.**

Reference:

- See Section 4.10 of this book

Reference:

- DCL-CB-98-7 (LD)

If schools do not use their total allocations of campus-based funds during an award year, they are required to return unexpended allocations of federal funds to ED so that the money can be reallocated to schools that need additional campus-based funds (called supplemental allocations). This return of a school's unexpended allocated funds is called "releasing campus-based funds." A sample copy of an "Official Notice of Funding" for a supplemental allocation begins on page 3-6.

In June each year, ED sends schools a letter requesting them to report funds that will not be spent by June 30 of that year and that can be released by ED for use in the next award year.

UNITED STATES DEPARTMENT OF EDUCATION

Office of Postsecondary Education

Regional

991689
HUSSON COLLEGE
ONE COLLEGE CIRCLE
BANGOR ME 04401

DATE: MARCH 15, 1999

OFFICIAL NOTICE OF FUNDING THE FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT, FEDERAL WORK-STUDY AND/OR FEDERAL PERKINS LOAN PROGRAMS

GRANT PERIOD: JULY 1, 1999 THROUGH JUNE 30, 2000

FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

DOCUMENT NUMBER: P007A991689 $373,635

PROJECT CODE: H300072 APPROPRIATION NO: 919/00200 O.C.C. 4110L

FEDERAL WORK-STUDY PROGRAM

DOCUMENT NUMBER: P033A991689 $210,097

PROJECT CODE: H400333 APPROPRIATION NO: 919/00200 O.C.C. 4110L

FEDERAL PERKINS LOAN PROGRAM

LEVEL OF EXPENDITURE: $250,000
DOCUMENT NUMBER: P038A991689

FEDERAL CAPITAL CONTRIBUTION $32,799

PROJECT CODE: H500381 APPROPRIATION NO: 919/00200 O.C.C. 4110L

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600 INDEPENDENCE AVE., S.W. WASHINGTON, D.C. 20202

PAYMENTS UNDER THIS AWARD WILL BE MADE AVAILABLE THROUGH THE DEPARTMENT OF EDUCATION (ED) PAYMENT MANAGEMENT SYSTEM ADMINISTERED BY THE ED OFFICE OF MANAGEMENT AND BUDGET/CHIEF FINANCIAL OFFICER. INQUIRIES REGARDING PAYMENT SHOULD BE DIRECTED TO:

DEPARTMENT OF EDUCATION
ACCOUNTING AND FINANCIAL MANAGEMENT SERVICE
600 INDEPENDENCE AVENUE, S.W.
WASHINGTON, D.C. 20202-4331

Michele L Selvage

MICHELE L. SELVAGE, DIRECTOR
INSTITUTIONAL FINANCIAL MANAGEMENT DIVISION
ACCOUNTING AND FINANCIAL MANAGEMENT SERVICE

UNITED STATES DEPARTMENT OF EDUCATION

Office of Postsecondary Education

991689
HUSSON COLLEGE
ONE COLLEGE CIRCLE
BANGOR ME 04401

DATE: SEPTEMBER 18, 1999

OFFICIAL NOTICE OF FUNDING THE FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT, FEDERAL WORK-STUDY AND/OR FEDERAL PERKINS LOAN PROGRAMS

GRANT PERIOD: JULY 1, 1999 THROUGH JUNE 30, 2000

FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

ADJUSTMENT	ADJUSTED AWARD
$1,298	$374,933

DOCUMENT NUMBER: P007A991689

PROJECT CODE: H300072 APPROPRIATION NO: 919/00200 O.C.C. 4110L

FEDERAL WORK-STUDY PROGRAM

DOCUMENT NUMBER:

PROJECT CODE: APPROPRIATION NO: O.C.C. 4110L

FEDERAL PERKINS LOAN PROGRAM

LEVEL OF EXPENDITURE:
DOCUMENT NUMBER:

FEDERAL CAPITAL CONTRIBUTION

PROJECT CODE: APPROPRIATION NO: O.C.C. 4110L

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Michele L Selvage

MICHELE L. SELVAGE, DIRECTOR
INSTITUTIONAL FINANCIAL MANAGEMENT DIVISION
ACCOUNTING AND FINANCIAL MANAGEMENT SERVICE

If a school deobligates 10 percent or more of its initial allocation (plus any supplemental allocation of funds from any campus-based program), the allocation for that program for the next award year will be reduced by that same amount, *unless* the school can show just cause for underusing the funds. To do this, a school submits a waiver request; ED decides whether the request is approved or denied. The funding reduction may be waived by ED if it finds that enforcing the reduction would be counter to the interests of the affected campus-based aid program(s).

A school's total drawdowns from the Grant Administration and Payment System (GAPS) for a campus-based award should equal the federal expenditures reported for each campus-based program on the school's Fiscal Operations Report and Application to Participate (FISAP).

3.2 Federal and Nonfederal Shares of Funding

To make *The Blue Book* a more effective reference tool, the formulas for determining nonfederal shares, administrative cost allowance, and the amount of funds available for making awards are discussed in this chapter.

The total amount that a school may spend on any campus-based program is a dollar figure composed of both federal and nonfederal funds. For each program, there are rules for determining what share of the total amount may come from federal funds and what share of the total amount must come from nonfederal funds.

Federal Perkins Loan Program

Reference:

- 34 CFR 674.2
- 34 CFR 674.8

The amount of Federal Perkins Loan Program funds provided to an institution for an award year by the federal government is called the Federal Capital Contribution (FCC). Schools must provide an additional share from their own funds called the Institutional Capital Contribution (ICC). The ICC must equal or exceed:

- one-third (33 1/3 percent) of the FCC *or*
- one-quarter (25 percent) of the combined FCC and ICC.*

***However, if a school transfers Federal Perkins Loan funds to either FSEOG or FWS before depositing those funds in the school's Perkins Loan fund, the school does not have to provide an ICC match for the funds transferred.**

For example, if a school received an FCC of $30,000, it would be required to provide an ICC of at least $10,000, for a combined amount of $40,000.

The total amount of Federal Perkins Loan funds allocated to an institution for a given award year is equal to the total of the FCC plus the ICC (FCC + ICC = Federal Perkins Loan funds). This allocation amount differs from the institution's approved level of expenditure (LOE), which is discussed shortly. The allocation represents "new" money added to a school's established Federal Perkins Loan fund, and it is used to make loans to students and to pay administrative and collection costs.

Level of Expenditure (LOE)

The level of expenditure (LOE) is the maximum dollar amount that ED allows a school to expend from the school's loan fund in a given award year. This includes all authorized expenditures for the program, such as all loans to students, administrative cost allowance (ACA), and collection costs. The LOE equals the total of FCC, ICC, funds available from the school's collection of Federal Perkins Loans in repayment, and anticipated cash on hand (FCC + ICC + collected loans + cash on hand = LOE). To ask for an increase in their LOE, schools make the request through the appropriate ED Area Case Director of the regional Case Management Team that serves their state. The telephone numbers for the case management teams and divisions are found on page 3 of Appendix D.

Federal Work-Study (FWS) Program

Federal Share and Nonfederal Share

In general, the federal share of Federal Work-Study (FWS) wages paid to students (other than those employed by a private, for-profit organization) may not exceed 75 percent. (The 75 percent applies to expenditures for FWS wages, not administrative cost allowance.) Schools must provide at least 25 percent of their students' total FWS wages from nonfederal sources. For example, if a school wanted to spend $45,000 of its FWS federal funds for student wages, it would be required to provide at least $15,000 in nonfederal funds. A total of $60,000 would then be available to pay student wages under the school's FWS Program.

Reference:

- *Student Financial Aid Handbook: Campus-Based Programs Reference*
- 34 675.26

There are situations when the ratio of federal share to nonfederal share of 75 percent/25 percent does not apply.

- *Schools are allowed to provide more than the required minimum 25 percent nonfederal share.* For example, if a school received $60,000 in federal funds and wished to spend a total of $100,000 for student FWS wages, it may spend $40,000 of nonfederal funds to do so. In this example, the federal share of students' total earned compensation under the FWS program expenditures would be 60 percent, while the nonfederal share would be 40 percent.
- *For off-campus FWS jobs with private, for-profit organizations, the federal share of wages paid to students is limited to 50 percent.* The school and/or employer must provide a nonfederal share of at least 50 percent. The school and employer may contribute a nonfederal share that

exceeds the required 50 percent. However, an institution may use no more than 25 percent of its total current year original allocation and supplemental allocation to pay wages to students employed with off-campus, for-profit organizations.

Reference:
- DCL-CB-98-6

- *The federal share of compensation paid to students employed as reading tutors or in family literacy activities may exceed 75 percent and may be as high as 100 percent.*
- *The federal share can be as much as 90 percent and the nonfederal share can be as little as 10 percent for students who work in certain public and nonprofit organizations.* Only organizations that don't have the funds to pay the regular 25 percent share are eligible to pay a reduced nonfederal share. In addition, the school may not own, operate, or control the organization. No more than 10 percent of a school's FWS students may benefit from this provision.

Reference:
- 34 CFR Parts 607-609

- *The federal share can be 100 percent for an eligible institution under the Strengthening Institutions, or Strengthening Historically Black Colleges and Universities Programs, and Strengthening Historically Black Graduate Institutions Program under Title III.* These institutions must request a waiver on Part II of the FISAP each award year.

Nonfederal Share Sources

Reference:
- 34 CFR 675.27

The nonfederal FWS share may come from any resource available to a school:

- The school can pay the nonfederal share from its own funds or other nonfederal sources, outside funds from an off-campus employer, or a combination of these types of funds.
- The school can also pay the nonfederal share in the form of non-cash contributions of services and equipment, such as tuition and fees, room and board, books, and supplies.

Community-Service Jobs

The HEA requires schools to spend a portion of their FWS allocations (original and supplemental) to compensate students working in community-service jobs. A community-service job is defined as an activity that improves the quality of life or solves a problem for a community's residents, especially its low-income residents. Examples of community services include health care, child care, public safety, crime prevention and control, rural development, and community improvement. These services must be open to the entire community, not just the school's employees and students.

For the 1999-2000 award year, a school must use at least 5 percent of its annual FWS allocation (original and supplemental) to compensate students working in community-service jobs. A school may request a waiver of this requirement; the request must be in writing. ED approves this type of waiver only if it decides that a school has proved that enforcing the requirement would cause a hardship for its students. The school may also use FWS funds to pay students for a reasonable amount of time spent in travel or training that is directly related to a community-service job.

Beginning with the 2000-01 award year:

- A school must use at least 7 percent of its annual FWS allocation (original and supplemental) to compensate students working in community-service jobs. (A school may still request a waiver.)
- The community services for which the school's students receive FWS funds must include at least one family literacy project or one reading tutoring project for children and employ FWS students.

In recent years, family literacy and tutoring children in reading have also become federal priorities. As a result, the federal share for FWS students can be as high as 100 percent if they work in family literacy programs or as reading tutors. These tutoring jobs can also count toward the community-service requirement if the entire community can benefit, not just, for example, children of professors.

- In 2000-01, ED will give priority for reallocating returned FWS funds to schools that used at least 5 percent of their total FWS allocations to pay students employed as reading tutors or in family literacy activities.

Job Location and Development (JLD) Program

Reference:
- 34 CFR 675.31-675.37

The Job Location and Development (JLD) Program enables schools to expand off-campus job opportunities for students. Off-campus employers, rather than schools, pay wages to students whose jobs are located or developed through the JLD Program. Because no federal funds are used to pay wages, students employed through the JLD Program are not required to meet standard FWS eligibility criteria.

A school may use up to 10 percent or $50,000 (whichever is less) of its FWS allocation to establish or expand a program to locate and develop off-campus jobs, including community-service jobs. Jobs located or developed under the program may be for either profit or nonprofit employers.

The federal funds that a school sets aside from its FWS allocation for JLD Program expenses may be used to pay up to 80 percent of allowable costs. The school must provide the remaining 20 percent of allowable costs, either in cash or in services.

Work-College Program

Reference:
- 34 CFR 675.41-675.50

A "work college" is defined as an eligible public or private, nonprofit school with a commitment to community service. The school must:

- have operated a comprehensive work-learning program for at least two years,
- require all students who reside on campus to participate in a comprehensive work-learning program,
- have a program that requires providing service as an integral part of the school's educational program and is part of the school's educational philosophy, and
- provide students in the comprehensive work-learning program with an opportunity to contribute to their education and to the welfare of the community.

Schools that satisfy the HEA definition of "work colleges" may apply to ED to participate in the program. In addition to federal appropriations, schools can transfer FWS and new FCC funds for Perkins Loans to only the Work-College Program.

Reference:
- HEA, Part C, Section 448

Work colleges may use available funds to coordinate and carry out projects that promote work-service learning. They may also use those funds to conduct a comprehensive longitudinal study of academic progress and academic career outcomes.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program

Reference:
- *Student Financial Aid Handbook: Campus-Based Programs Reference*
- 34 CFR 676.21(a)
- 34 CFR Parts 607-609

The federal share of Federal Supplemental Educational Opportunity Grant (FSEOG) awards made to students may not exceed 75 percent of the total FSEOG awards made by the school. The school must ensure that there is a nonfederal match of 25 percent of the total FSEOG awards.

- The federal share can be 100 percent for an eligible institution under the Strengthening Institutions, or Strengthening Historically Black Colleges and Universities Programs, and Strengthening Historically Black Graduate Institutions Program under Title III. These institutions must request a waiver on Part II of the FISAP each award year.

There are three methods by which an institution may meet the 25 percent nonfederal share requirement for FSEOG:

- *Individual recipient basis*—The school ensures that the nonfederal match is made to each individual FSEOG recipient together with the federal share in such a way that each student's total FSEOG award consists of 75 percent federal dollars and 25 percent nonfederal dollars. A school using this method calculates and documents on a student-by-student basis what portion of the student's FSEOG award comes from federal funds and what portion comes from nonfederal funds.
- *Aggregate basis*—The school ensures that the sum of all funds awarded to all FSEOG recipients in a given award year consists of 75 percent federal dollars and 25 percent nonfederal dollars. A school using this method calculates and documents on an aggregate basis what portion of total federal *and* nonfederal dollars awarded to all FSEOG recipients comes from federal funds and what portion comes from nonfederal funds.
    - For example, if a school awards a total of $60,000 to all FSEOG recipients in 1999-2000, it must ensure that $45,000 comes from federal funds and $15,000 comes from nonfederal funds. The school may meet this requirement by awarding nonfederal funds to FSEOG recipients on a student-specific basis. For example, if the school makes a total of $60,000 in FSEOG awards to a total of 100 students, the entire nonfederal share may be met by awarding a total of $15,000 in nonfederal monies to only five FSEOG recipients. However, each FSEOG recipient must receive some FSEOG federal funds.
- *Fund-specific basis*—The school establishes an FSEOG fund for federal program funds and the required 25 percent nonfederal share. Awards to FSEOG recipients are then made from this "mixed" fund. A school using this method first creates a pool of funds containing 75 percent federal dollars and 25 percent nonfederal dollars, then makes FSEOG awards to students from this pooled fund.

Reference:
- 34 CFR 676.21(c)

The nonfederal share of FSEOG funds must come from the school's own resources. Allowable nonfederal sources include institutional grants and scholarships, tuition or fee waivers, state scholarships and grants, and foundation or other charitable organization funds.

ED has determined that state scholarships and grants may be used to meet the nonfederal share requirement for FSEOGs. However, the portion of a state scholarship or grant that comes from the Leveraging Educational Assistance Partnership (LEAP) Program (previously known as the State Student Incentive Grant [SSIG] Program) are *not* eligible funds for the nonfederal share.

Reference:

- DCL-CB-96-16
- DCL-CB-97-14
- DCL-CB-98-15

Annually, ED identifies the percentage of each state's scholarships that can be used to provide the nonfederal share of FSEOG awards. Each school then can apply the appropriate state percentage to the state scholarships and grants its students receive to determine the total amount of state scholarships and grants that may be used to meet the FSEOG nonfederal share requirement.

- For example, if a student receives a grant of $600 from a state where 92.35 percent of state funding can go toward FSEOG awards, the school multiplies 92.35 percent by $600. The result is $554, which is the portion of the grant that the school may use to meet the nonfederal share of an FSEOG award.

3.3 Administrative Cost Allowance (ACA)

Reference:

- 34 CFR 673.7

Schools are allowed to claim an annual administrative cost allowance (ACA) from campus-based program funds from which they have made awards to students during a given award year. The ACA is part of the institution's total program expenditures, not an additional amount of money given the school.

Schools may claim an ACA to help them defray the costs of administering Title IV campus-based programs. ACA may be used for salaries, supplies, and equipment. ACA may also be used to pay service fees charged by banks for maintaining campus-based program accounts, including a school's Federal Perkins Loan fund, and for expenses related to student consumer information requirements.

The amount of ACA a school may claim is determined by its expenditures for the Title IV campus-based programs in which it participates. Here "expenditures" means:

- FSEOG award disbursements (grants made) to students (this includes the total federal and nonfederal shares)
- FWS gross compensation (wages paid) to students (this includes the total federal and nonfederal shares) and
- Federal Perkins Loan advances (loans made) to students.

ACA is calculated as a percentage of a school's campus-based program expenditures, as follows:

- 5 percent of the first $2,750,000 of expenditures, *plus*
- 4 percent of expenditures greater than $2,750,000 but less than $5,500,000, *plus*
- 3 percent of expenditures $5,500,000 or more.

A school may take its ACA out of its annual FSEOG and FWS allocations and from cash on hand in its Federal Perkins Loan fund. A school may also draw its ACA from any combination of campus-based programs *or* it may take the total ACA from only one program, provided there are sufficient funds in that program. However, a school may not draw any part of its ACA from a campus-based program *unless* it disbursed funds to students from that program during the award year.

3.4 Funds Available for Awards

Schools may increase the amount of funds available for awards in a given campus-based program by transferring funds from another program. Schools may also carry FWS or FSEOG funds back to the previous year or forward to the next year.

Transferring Funds Between Campus-Based Programs

Reference:
- 34 CFR 674.18(b)
- 34 CFR 675.18(e)
- 34 CFR 676.18(b)

Schools may not transfer funds *from* their FSEOG funds to another campus-based program.

A school may transfer up to 25 percent of its annual FWS federal allocation *to* FSEOG. This 25 percent maximum is based on a school's current award year allocation and includes both original and supplemental FWS allocations. FWS funds transferred to FSEOG must be counted as federal funds when determining the nonfederal share required for FSEOG. FWS funds carried forward to the next year or carried back to the previous year do not change the basis for the 25 percent maximum transfer. A school may transfer up to 25 percent of its annual Federal Perkins Loan allocation to FSEOG and/or FWS. The total transfer cannot exceed 25 percent of the Federal Perkins Loan allocation, whether it is made only to one program or divided between the two programs.

Transferred funds must be spent according to the requirements of the program to which they have been transferred. Any transferred funds that are not spent by the end of the award year in which the transfer was made must be returned to the original program.

A flowchart illustrating the transfer of funds between campus-based programs can be found on page 3-17.

FWS and FSEOG Carry Forward and Carry Back

Reference:

- 34 CFR 675.18(b)(c)(d) for FWS
- HEA, Part A, Section 413E

If a school does not use all federal funds allocated for FWS and FSEOG in a given award year, the school may carry forward these funds to the next award year. Similarly, if a school needs additional funds to pay FWS wages or FSEOG awards in the current award year, the school may carry back these funds from the next award year's allocation.

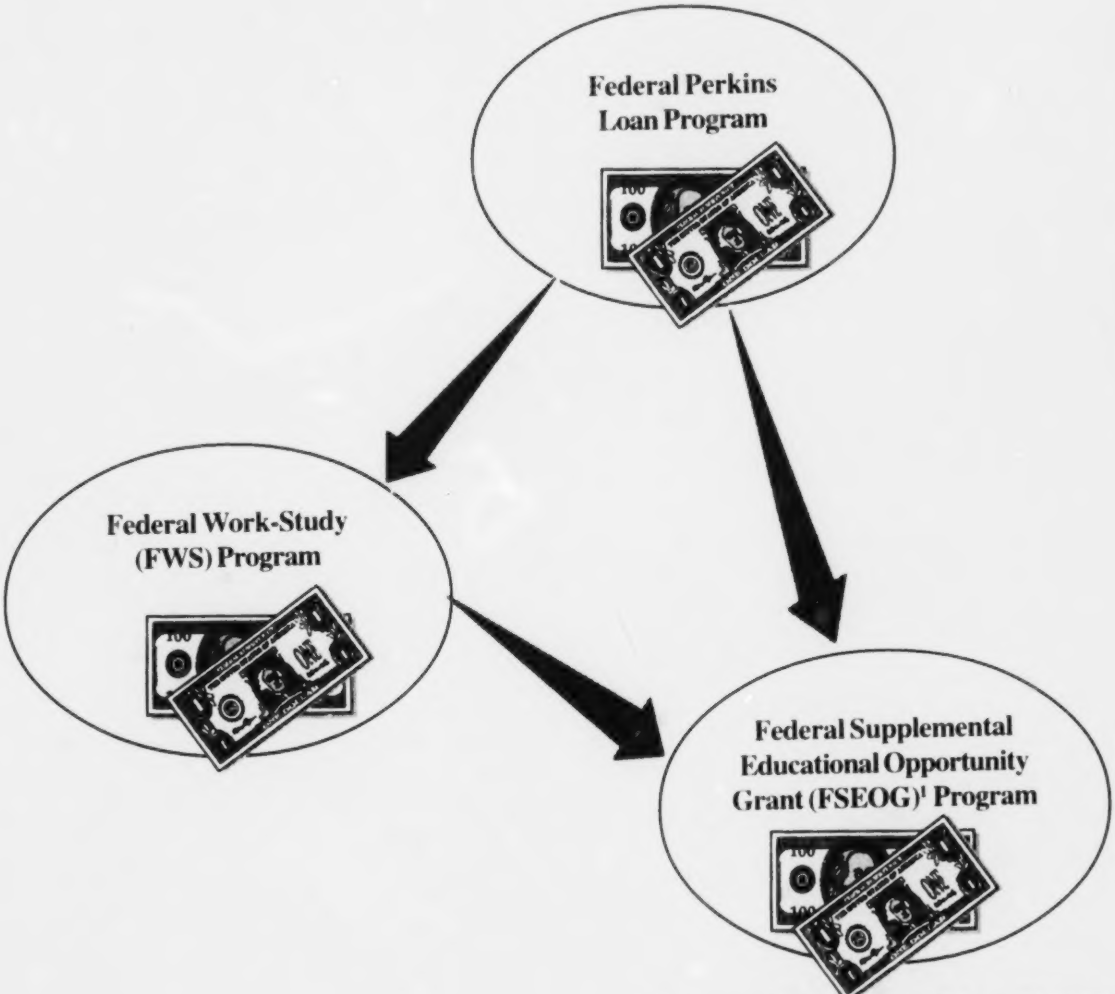
Schools are allowed to:

- carry forward up to 10 percent of the previous year's federal FWS or FSEOG allocation to cover expenditures in the current award year,
- carry forward up to 10 percent of the current year's federal FWS or FSEOG allocation to cover expenditures in the next award year,
- carry back up to 10 percent of the current year's federal FWS or FSEOG allocation to cover expenditures incurred at any time in the preceding award year, and
- carry back up to 10 percent of the next year's FWS or FSEOG allocation to cover expenditures incurred at any time in the current award year.

A flowchart illustrating how FWS and FSEOG funds may be carried forward and carried back can be found on page 3-18.

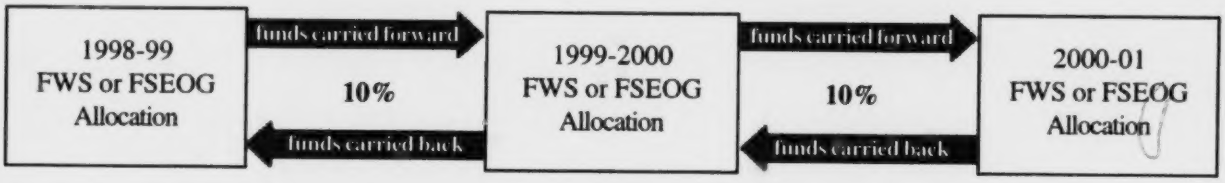
Schools may also carry back and expend in the previous award year any portion of their federal FWS allocations for the current award year to pay student wages earned from May 15 through June 30 of the previous award year (that is, for summer employment). Similarly, schools may carry back any portion of their federal FSEOG allocation for the current award year to pay for FSEOG awards made for the summer of the previous award year.

Transferring Funds Between Campus-Based Programs


Federal Perkins Loan Program
Federal Work-Study (FWS) Program
Federal Supplemental Educational Opportunity Grant (FSEOG)[1] Program

[1] Funds cannot be transferred *from* FSEOG.

FWS and FSEOG
Carry Forward/Carry Back



1998-99
FWS or FSEOG
Allocation

funds carried forward

10%

funds carried back

1999-2000
FWS or FSEOG
Allocation

funds carried forward

10%

funds carried back

2000-01
FWS or FSEOG
Allocation

Chapter 4

Requesting, Managing, and Returning Title IV Funds

Summary

This chapter contains guidelines that schools must follow to ensure sound cash management practices. Much of the information in this chapter is based on cash management regulations published on December 1, 1994 and November 29, 1996 (34 CFR 668, Subpart K). These regulations establish uniform rules and procedures that a school must follow to request, maintain, disburse, return, and otherwise manage Title IV program funds.

Key Terms

- Accounts Receivable Management Group (ARMG)
- Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT)
- advance payment allowable charges
- Automated FEDWIRE System
- award period
- cash management
- cash on hand
- closeout period
- credit balance
- current value of funds rate
- delayed disbursement
- delivery
- direct deposit
- disbursement
- early payment
- Electronic Statement of Account (ESOA)
- electronic funds transfer (EFT)
- enrolled
- enrollment period
- excess cash
- excess funds
- Federal Reserve Bank (FRB)
- FEDWIRE
- generally accepted accounting principles (GAAP)
- Grant Administration and Payment System (GAPS)
- idle cash
- immediate need
- issuing checks
- liquidation period
- master check
- multiple disbursement
- National Finance Center (NFC)
- Office of the Chief Financial Officer (OCFO)
- payment period
- peak enrollment period
- performance period
- reimbursement payment
- suspension period
- UCC-1 statement

Reference:

- 34 CFR 668.161

4.1 Overview of Cash Management

Schools that participate in Title IV programs are responsible for establishing and maintaining an internal financial management system that effectively:

- promotes sound cash management of Title IV funds,
- minimizes the financing cost to the federal government for making Title IV funds available to schools and students, *and*
- minimizes accruing costs for students who receive Title IV loans.

To ensure adequate cash management practices, a school must have in place a cash management system that adheres to federal regulations and other standards. A school's cash management practices are governed by:

- generally accepted accounting principles (GAAP),
- standards prescribed by the federal Office of Management and Budget (OMB),
- U.S. Department of Treasury regulations, *and*
- U.S. Department of Education (ED) regulations.

At a minimum, a school should establish internal cash management standards and practices to ensure that:

- the school official who authorizes requests for federal funds knows the school's available funds balance when making requests;
- the cash balance maintained for all programs is no more than the minimum needed to cover immediate disbursements (referred to as "immediate need");
- the school's cash management system tracks drawdowns and disbursements of funds, showing that for every drawdown there is an equal disbursement (however, this is not necessarily the case for adjustments); *and*
- the school's cash management system contains adequate controls so that the school does not spend more funds than it has authority to spend (except in limited circumstances, a school may not request or hold excess funds for future disbursements).

4.2 Projecting Cash Needs

A school on advance payment must determine the amount of funds it needs before it transmits a request to the Grant Administration and Payment System (GAPS). The amount requested must be limited to the minimum amount needed to make disbursements, so that excess funds do not exist after disbursements are made. The amount must be enough to meet:

- Federal Pell Grant disbursements to students,
- the federal share of Federal Supplemental Educational Opportunity Grant (FSEOG) disbursements to students and administrative cost allowance (ACA),
- the federal share of Federal Work-Study (FWS) payroll disbursements and ACA,
- the federal share of Federal Perkins Loan disbursements and ACA, *and*
- Federal Direct Loan disbursements.*

***Direct Loan funding requests must be made separately; they cannot be combined with cash requests for other Title IV funds.**

The following equation may be used to calculate projected cash needs:

Anticipated Disbursements
– Balance of Cash On Hand
– Anticipated Recoveries
– ACH/EFT Cash in Transit
= *Projected Cash Needs*

In general, a school's request for funds should not exceed its immediate need.

Immediate Need

Immediate need is defined as the amount of Title IV program funds a school needs to make disbursements within three business days following the date that the school receives the funds. This definition of immediate need applies to all Title IV program funds, regardless of whether the school draws down funds through Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT) or through FEDWIRE. Receiving amounts beyond immediate need may result in excess cash.

Immediate need is determined by the amount of cash a school needs to make disbursements to students within a specified period of time. As long as the school makes disbursements within that time period, including disbursements made by properly issuing checks, it has satisfied the immediate need standard.

Special Program Considerations

To accurately determine the total amount of Title IV program funds needed to make disbursements, a school must consider certain program-specific requirements for each Title IV program.

Federal Pell Grant Program

A school may pay Federal Pell Grants to students only on the basis of a valid Institutional Student Information Record (ISIR) or Student Aid Report (SAR). A school must establish a system for tracking the status of these documents and determining when a student's Federal Pell Grant award is ready to be paid.

The maximum amount of Federal Pell Grant funds a school may draw down is based on the school's Federal Pell Grant authorization, as reported to the school in its Electronic Statement of Account (ESOA). The first ESOA received by a school for an award year contains ED's estimate of the amount of funds the school will need to make first disbursements to students. As the award year progresses, the school receives adjusted authorizations on the basis of student payment information it reports.

Campus-Based Programs

Each campus-based program—Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan—requires that awards made to students be a combination of both federal and nonfederal funds.

To accurately determine its immediate cash need for campus-based programs, a school must calculate the portion of disbursements from each program that may be made up of federal funds. *The amount of funds drawn down represents only the federal share.*

- For the Perkins Loan Program, if a school deposits its federal funds in its Perkins Loan fund, this eliminates any excess cash condition. However, if a school draws down those funds, it must expend them within three business days.

The maximum amount of federal funds a school may draw down from each campus-based program is based on the school's allocation for that program, as reported to the school in its Official Notice of Funding from ED.

For the FSEOG Program, a school must time its drawdowns to coincide with the date it expects to disburse FSEOG funds to students. FSEOG disbursements must be made within three business days following the date the funds are drawn down.

For the FWS Program, a school must time its drawdowns to coincide with its payroll dates. A school must estimate the amount of federal funds needed to meet payroll for a given pay period and draw down only the appropriate federal share of wages to be paid. Student wages must be paid within three business days following the date funds are drawn down.

For the Federal Perkins Loan Program, a school must determine whether the cash available in its Federal Perkins Loan fund is sufficient to make loan advances to students. A school may draw down the Federal Capital Contribution (FCC) only if the amount of Federal Perkins Loan funds on hand is not enough to cover disbursements. A school must time its drawdown of FCC to coincide with the dates it expects to advance (disburse) loans to students.

William D. Ford Federal Direct Loan Program (Direct Loan Program)

Direct Loan funding requests are initiated only by schools that participate in the William D. Ford Federal Direct Loan Program (Direct Loan Program) under school origination (Option 2). The Loan Origination Center (LOC) initiates funding requests for schools that participate under school origination (Option 1) and under Standard Origination.

Reference:

- http//:gapsweb.ed.gov

Reference:

- *Direct Loan School Guide*
- Direct Loan Bulletin (DLB)-98-18
- DLB-98-38

Unlike the Federal Pell Grant Program and the campus-based programs, there is no set school allocation or authorization level for the Direct Loan Program. Schools participating in the Federal Direct Loan Program determine drawdown amounts on the basis of the amount of funds needed to make loans to eligible borrowers. The school draws down only the net amount of the loan. Loan fees are deducted by ED prior to drawdown.

A Direct Loan school estimates the amount of funds it needs to make anticipated disbursements on an ongoing basis. A school can use the Direct Loan Program software or its own school computer software to calculate the amount of funds needed. Loan records flagged in the system as "eligible for payment" will be included in the computer-generated estimate of funds needed. The school may need to adjust this figure to account for Direct Loan funds on hand and anticipated recoveries. For each loan eligible for payment, the Direct Loan Program software deducts a 4 percent loan fee from the gross disbursement amount and counts only the net amount of the disbursement in the estimate of funds needed.

A school is not required to collect a signed, completed promissory note from a borrower before *drawing down funds* for that borrower. However, a school may not *disburse funds* to any borrower until it has received the borrower's signed, legally enforceable promissory note.

4.3 Grant Administration and Payment System (GAPS)

Reference:

- http//:gapsweb.ed.gov

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- GAPS *Payee Guide*

  (Note: A new *Payee Guide* will be issued by ED during the summer of 1999.)

ED has a centralized financial management system called the Education Central Automated Processing System (EDCAPS). EDCAPS is designed to integrate ED's separate financial processes, including financial management, contracts, purchasing, grant administration, and payment management.

EDCAPS improved ED's financial management performance by integrating four system modules into a single system:

- Financial Management Systems Software (FMSS)
- Recipient System (RS)
- Contracts and Purchasing Support System (CPSS)
- Grant Administration and Payment System (GAPS)

The EDCAPS module that directly affects schools is GAPS.

GAPS provides full financial management support services in a single system. Functions supported by GAPS include everything from award authorizations to disbursing funds and to final grant close out.

In addition, GAPS is the central repository for payment transactions of schools that receive funds* from ED through the Office of the Chief Financial Officer (OCFO). GAPS is a system; OCFO is the office within ED that administers the system. A school uses GAPS to request funds for:

***GAPS controls funds for both Title IV and non-Title IV programs.**

- the Federal Pell Grant Program
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program
- the Federal Work-Study (FWS) Program
- the Federal Perkins Loan Program
- the Federal Direct Loan Program (Option 2 schools only; Option 1 and Standard Origination schools do not request [draw down] funds from GAPS.)

GAPS uses the latest in funds-delivery systems and financial management technologies (such as relational databases, Internet technology, and a Windows environment). Using these technologies allows for such customer-service improvements as easy system access to request funds and report expenditures, user-friendly retrieval of award and payment histories, and immediate update and notification of changes in awards, such as authorization changes.

When ED implemented GAPS, it changed its procedures for schools that receive and manage ED funds. These procedural changes include how schools request funds.

Accessing GAPS

Reference:

- http//:gapsweb.ed.gov

***All temporary user IDs and passwords expire July 31, 1999.**

Schools request federal funds electronically via GAPS. To request funds, the school must access the GAPS External Access System.

- To log on, the user must enter an ID and password.*
- To obtain a permanent user ID and password, a school completes the External Security Access form. This form can be accessed through the GAPS Web site or the GAPS Payee Hotline and faxed to (202) 401-0006.

The school then requests funds by program (Federal Pell Grant, FSEOG, Federal Perkins Loan, FWS, or Direct Loan). The screen contains the amount of Title IV funds the school has available to draw down.

Alternatively, schools can also call the GAPS Payee Hotline at 1-888-336-8930 between 8 a.m. and 8 p.m. (Eastern Time) to request funds. Requests made after 2 p.m. are not processed by GAPS until the next business day.

- A school may also call the GAPS Payee Hotline if it has problems receiving its payment under GAPS.

To practice using GAPS, access the GAPS Web site and click on "training." Then enter "gapsuser" as the ID and "training" as the password. The user will be able to enter data for a fictional school, while becoming familiar with the screens.

4.4 Requesting Funds

Before discussing how funds are requested, two terms need to be defined–grantee and payee.

Reference:

- GAPS *Payee Guide*

Under GAPS, a *grantee* is an entity (not a person) that applies for and receives a grant award from ED; a *payee* is an entity (not a person) identified by the grantee to request and manage federal funds on behalf of the grantee. The grantee and payee may be the same entity or different entities. For

Title IV aid purposes, the grantee is the financial aid office and the payee is the business office.

Schools request funds for all Title IV program expenditures directly from the federal government, with the exception of the Federal Family Education Loan (FFEL) Program. FFEL Program funds are obtained by schools from banks, savings and loan organizations, credit unions, and other financial institutions that serve as FFEL Program lenders.

Award Periods

Before a school requests funds, it should understand the award periods for GAPS program authorizations.* The length of the award periods vary by program and authorizing statute. The award period dictates when the payee can request funds. There are four award periods:

1. performance
2. liquidation
3. suspension
4 closeout

Reference:

- GAPS *Payee Guide*

***Schools that are having problems with their program authorizations should contact their program office. See Appendix D for a list of the program offices.**

Performance Period

The performance period is the period between the grant award *begin date* and the grant award *end date*. During this period, schools can draw down funds.** However, in order to do so, schools have to obligate funds to students (such as submitting to ED disbursement records for students eligible for the Federal Pell Grant Program).

****However, schools may draw down funds no later than June 30 of the award year of their authorization.**

The performance period is six years and three months. During this period:

- payees may request payments,
- payees may modify payment requests,
- payees may adjust drawdowns, and
- the Office of Student Financial Assistance Programs (OSFAP) may make changes to the grant award's authorizations.

Once the performance period ends, the closeout process begins, which includes liquidation, suspension, and closeout.

Liquidation Period

The liquidation period* is one month and immediately follows the performance period. During this period:

- no new authorizations may be processed against a grant award,
- payees may request payments for expenditures incurred during the performance period, and
- payees may adjust drawdowns for expenditures incurred during the performance period.

The last date a school can drawdown funds from ED is the end of this period.

***The length of this period is OSFAP program specific.**

Suspension Period

The suspension period** is one month and follows liquidation. During the suspension period, no payment actions can take place without the approval of the program office. ED program offices use this period to prepare for final closeout.

****The length of this period is OSFAP program specific.**

Closeout Period

Immediately following the suspension period, the grant award is closed and any remaining funds are deobligated.

For the 1999-2000 award year, a grant's:

- performance period lasts from July 1, 1999 to September 30, 2005;
- liquidation period lasts from October 1, 2005 to October 31, 2005;
- suspension period lasts from November 1, 2005 to November 30, 2005; and
- closeout begins on December 1, 2005.

Methods of Receiving Funds

Schools can receive funds from ED using Automated Clearinghouse/ Electronic Funds Transfer (ACH/EFT) or FEDWIRE.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- GAPS *Payee Guide*

***Because drawdowns are done online, schools will receive immediate notification if their fund requests are not approved in GAPS.**

Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT)

One way ED sends funds to schools is using ACH/EFT. Once schools request funds and these requests are approved,* the next business day GAPS electronically transfers the school's payment through the Federal Reserve Bank (FRB) network to the school's depositor account at the school's bank.

ACH/EFT requests made by 3:00 p.m. (Eastern Time) will be deposited the next business day. Requests made after 3:00 p.m. will be deposited the second business day after the request.

Before a school begins disbursing funds, it should always check its bank account for an ACH deposit from ED to make sure that a payment has been received. A school should keep records of all payments it has requested. These records provide an audit trail of funds requested and help the school reconcile it accounts with GAPS.

Reference:

- GAPS *Payee Guide*

FEDWIRE

The other method by which schools can receive funds is using FEDWIRE. After a school's GAPS request is accepted, the funds are then transferred directly from ED through the FRB network to the school's depositor account.

Schools are allowed to make same-day payment requests. To receive a same-day payment, the transaction must be completed no later than 2 p.m. (Eastern Time). Any requests made after 2 p.m. will have funds deposited the next business day.

A school should always check its bank account to make sure that a FEDWIRE payment has been deposited before it begins disbursing funds. A school should also keep records of all payments it requests to help reconcile its accounts with GAPS.

A school may also request FEDWIRE or ACH/EFT payments by calling the GAPS Payee Hotline directly. This method is only used when GAPS is malfunctioning or the school is having difficulty accessing it. The GAPS Payee Hotline accepts phone call questions between 8 a.m. and 8 p.m. (Eastern Time).

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.162(a-e)

Payment Methods

Institutions are paid using one of the following four payment methods:

- advance (*before* Title IV program funds are disbursed to students and/or parents)

- just-in-time (*near* or *on the date* Title IV funds are disbursed to students and/or parents)
- reimbursement (*after* institutional funds have been disbursed to students and/or parents)
- cash monitoring (either *before* or *after* institutional funds have been disbursed to students and/or parents)

Reference:

- 34 CFR 668.162(e) (1)(2)

ED determines the payment method each school uses.

Advance Payment Method

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.162(b)
- GAPS *Payee Guide*

***Under the Recipient Financial Management System (RFMS), schools will continue to receive their initial authorization.**

Most schools are paid in advance. Under the advance payment method, GAPS accepts a school's request for cash and electronically transfers the amount requested to the school's bank account via ACH/EFT or FEDWIRE.*

A school's advance request for cash may not exceed the amount of funds the school needs within three business days to make disbursements to students. A school must make the disbursements as soon as administratively feasible, but no later than three business days following the date the school receives the funds.

Alternatively, schools can pay their students with their own funds before receiving funds from ED.

Reference:

- http//:gapsweb.ed.gov

If the payee is paid in advance, the school requests funds by using the GAPS External Access System Web site or by calling the GAPS Payee Hotline at 1-888-336-8930 between 8 a.m. and 8 p.m. (Eastern Time).

Just-in-Time Payment Method

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.162(c)
- DCL-P-98-5

The just-in-time payment method is a new payment method available for the Federal Pell Grant Program and the Direct Loan Program for the first time in the 1999-2000 award year under a pilot project. A small group of schools will participate under the pilot project for the 1999-2000 award year.

- Although no more schools are being accepted for 1999-2000 award year, a school can sign up to participate during the 2000-01 award year by contacting the:

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.162(c)
- DCL-P-98-5

Reference:

- See Section 6.1 of this book for more information about RFMS.

U.S. Department of Education
ATTN: Just-in-Time Program
Institutional Financial Management Division
AFMS
P. O. Box 2381
Washington, DC 20026-07981

Under this payment method, a school electronically submits a disbursement record for the Federal Pell Grant Program no earlier than five days before the actual date of disbursement. The request includes the date and amount of the disbursement the school will make or has made to each student or parent. For each request Recipient Financial Management System (RFMS) accepts for a student or parent, RFMS automatically sends a transaction to GAPS requesting funds to be directly deposited into the school's bank account through EFT on or before the disbursement date reported by the school. This whole process takes no longer than 24 to 36 hours. In effect, the disbursement record drives the placement of funds into the school's bank account. No initial authorization is necessary, and no interaction with GAPS is necessary for the school.

If for some reason a student is not eligible to receive the Federal Pell Grant amount requested at the time the funds are actually disbursed, the school must report the funds for which the student is eligible within 30 days of the date that the school becomes aware of the change. A school will be permitted to disburse funds to a student or parent before submitting a record of that disbursement to ED. However, if the student's eligibility for those funds has changed by the actual date of disbursement, any adjustment must be reported.

A school can use the funds received for another student. If the school does so, it must ensure that all the required student transactions are sent to RFMS with the 30-day reporting rules. The school must also do a negative disbursement for the ineligible student and do an off-setting positive disbursement for the student who actually received the funds.

Schools using the just-in-time payment method are exempt from several cash management requirements. These exemptions include:

- the three-day-use rule required for the advance payment method;
- reverifying student eligibility for a Federal Pell Grant award at the time of disbursement;
- maintaining Federal Pell Grant funds in an interest-bearing account; and
- rules governing excess cash.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- GAPS *Payee Guide*
- 34 CFR 668.162(c)

Using this payment method, schools will have only a nominal amount of excess cash created by minor period adjustments. Because ED will modify new requests for funds after deducting any adjustments reported by the school, large amounts of excess cash should not occur.

The just-in-time-payment method will enable the delivery system to provide the most current payment information to students and other system users, thereby reducing burden related to reconciling payment data. This method will improve reconciliation between a school's financial aid office and business office. Moreover, the just-in-time close-out process should be simplified because adjustments are made throughout the year and all records should be in agreement. This payment information on the Federal Pell Grant Program will form the core of the individual student account that is the basis for the Modernization Blueprint integrated delivery system. By providing funds on the basis of the current student-level data, this payment method will strengthen ED's ability to monitor the integrity of Title IV programs by reducing the potential for the misuse of funds.

Reimbursement Payment Method

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- GAPS *Payee Guide*
- 34 CFR 668.162(d)

A school may be placed on reimbursement if ED determines that there is a need to monitor the school's use of federal funds or if a school has monetary liabilities that need to be recovered by administrative offset (for example, owing funds to ED as a result of an audit or program review finding).

The reimbursement procedure begins with the school filling out a Request for Advance or Reimbursement Form (SF-270) and sending it to the regional office for approval. If the request is approved, the ED regional office processes a payment request in GAPS.

Under the reimbursement payment method, a school must make credit or cash disbursements to eligible students before it may submit a request to the ED regional office for cash for Federal Pell Grant, campus-based, and Direct Loan funds (Option 2 schools). The amount of the request may not exceed the amount of actual disbursements the school made to students included in the request.

A school may be required to submit documentation that each student included in a reimbursement request was eligible to receive and did receive payment for Title IV program funds that the school is requesting.

The ED regional office approves the request for reimbursement and electronically transfers the requested amount to the school's bank account if:

- the school properly determined each student's eligibility for Title IV program funds;

- the school made payments to students for the correct amounts of Title IV program funds;
- the school submitted any required documentation that shows that each student included in that request was eligible to receive and was disbursed Title IV funds; and
- sufficient funds are available to the school in the school's GAPS account.

Cash Monitoring Payment Method

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

Reference:

- 34 CFR 668.162(e)(1)

When ED places a school on the cash monitoring method, ED requests funds after the school makes disbursements to students and parents. The school will then be paid using either the advance payment method or the reimbursement payment method.

If a school is paid using the advance payment method and ED approves the request for funds, ED processes the request in GAPS and electronically transfers the amount requested to the school's bank account via ACH/EFT or FEDWIRE.

A school's advance request for cash may not exceed the amount of the actual disbursements the school made to students and parents included in that request.

Reference:

- 34 CFR 668.162(e)(2)

If a school is paid using the reimbursement payment method, the school must first make disbursements to eligible students and parents before ED processes a request for payment in GAPS. The amount of the request may not exceed the amount of actual disbursements the school made to students and parents included in that request.

***Required documentation may be modified by the U.S. Secretary of Education.**

A school may be required to submit documentation* that each student included in a request was eligible to receive and did receive payment for Title IV program funds for which the school is requesting reimbursement.

ED approves the request for reimbursement and GAPS electronically transfers the requested amount to the school's bank account if:

- the school accurately determined each student's eligibility for Title IV program funds;
- the school accurately determined the amounts of Title IV program funds paid to students and parents;
- the school submitted any required documentation to support its request for reimbursement; and

- sufficient funds are available to the school in the school's GAPS account.

William D. Ford Federal Direct Loan Program (Direct Loan Program)

Reference:

- *Direct Loan School Guide*

Procedures used to draw down funds for the William D. Ford Federal Direct Loan Program (Direct Loan Program) differ from those used to draw down other Title IV funds. In addition, requests for Direct Loan funds may not be combined with requests for other Title IV funds.

There are two methods by which a school may handle funding requests. These methods depend on whether a school participates under Option 2 *or* Option 1 or Standard Origination.

Schools Participating Under Option 2

Option 2 Direct Loan schools initiate their own funding requests. These requests are made separately from those requests made for Pell Grant, campus-based, and other ED program funds because Direct Loan funds come from a different congressional appropriation.

Once a school has determined its immediate cash needs, a drawdown request is made to GAPS. The school can either make a drawdown request on the GAPS Web site or by calling the GAPS Payee Hotline at 1-888-336-8930. GAPS requests cannot be made using EDExpress.

Option 2 schools should retain copies of their drawdown requests for Direct Loans to record those requests and to resolve any payment problems with GAPS.

GAPS edits a school's drawdown request and creates an ACH/EFT payment file for transmittal to the Federal Reserve Bank (FRB). Any problems with requests are transferred to a holding file so ED personnel can either approve the transaction or contact the school to resolve the problem.

The FRB receives the ACH/EFT file and transfers funds directly to the school's bank account. A school's bank should receive funds within 48 to 72 hours after the school transmits the drawdown request. The FRB notifies ED if there is a problem with an ACH/EFT transmission or if a school's transaction is rejected. ED then contacts the school to resolve the problem.

Schools Participating Under Option 1 or Standard Origination

Schools participating in the Direct Loan Program under either of these options do not initiate funding requests. Rather, their funding requests are handled by the Loan Origination Center (LOC).

The LOC requests funds for schools using these participation options on the basis of accepted anticipated disbursement records submitted by a school. For borrowers' records to be included in a funding request, a school must send the borrowers' loan origination records and promissory notes to the LOC, and the LOC must accept the records.

Approximately 30 to 45 days before the anticipated disbursement dates listed in the loan origination records, the LOC sends an Anticipated Disbursement Listing (ADL) to the school that shows anticipated disbursements by borrower and by loan type. The school reviews the list and, if necessary, updates or adjusts the information with the LOC, through the change record process.

The LOC requests a school's funds from GAPS five days before the anticipated disbursement date. The same day the request is made, the LOC creates and sends an electronic Actual Disbursement Roster (ADR) to the school that lists individual borrowers, their loan types, and their disbursement amounts, (minus loan fees), as well as the total amount of funds included in the request. A school should retain copies of all ADRs.

The funds received from a drawdown must be deposited directly into a school's bank account.

4.5 Maintaining Funds

Cash management regulations published December 1, 1994 and November 29, 1996 contain guidelines that schools must follow to adequately manage federal funds.

Bank Account

All schools must maintain a bank account into which ED transfers (or a school deposits) Title IV program funds. This account also must meet certain federal requirements. (Funds received from the Federal Family Education Loan [FFEL] Program are excluded from the requirements.) The bank account must be federally insured or secured by collateral of value reasonably equivalent to the amount of Title IV program funds in the account.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.163(a)(1)

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.163(a)(2)(i)(ii)(A)

Regardless of the type of account or number of accounts in which a school maintains Title IV funds, the school must properly indicate that the account(s) contain federal funds. A school may meet this requirement by:

- notifying its bank of the accounts that contain federal funds and retaining a copy of that notice in its records *or*
- ensuring that the name of the account clearly includes the word "federal funds."

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.163(a)(2)(B)

Public institutions and those institutions that have "federal funds" in the name(s) of their bank account(s) do not have to file a UCC-1 statement.

- Public institutions are exempt from this requirement because they generally do not obtain credit in the same manner as non-public institutions.

However, if a private school notifies the bank that the account has federal funds, but does not include these words in its name, the school must file a UCC-1 statement (which discloses that the account contains federal funds) with an appropriate state or local government entity; the school must maintain a copy of this statement in its records. The format and content of the forms used for these statements vary from state to state. UCC-1 statements and information about filing them are available from the state corporation council or secretary of state in your state. Blank UCC-1 statements are available from local legal office supply stores.

A non-public institution that either chooses not to insert "federal funds" in the name of its bank account containing these funds, or is precluded from doing so, must file a UCC-1 statement. Public institutions are exempt from this requirement since they generally do not obtain credit in the same manner as non-public institutions.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.163(b)(1-3)
- 34 CFR 668.163(d)

A school is not required to maintain a separate bank account for Title IV program funds. However, in certain circumstances, a school may be required to maintain all Title IV program funds in a bank account that contains no other type of funds. This is the case if ED determines that:

- the school's accounting and internal control systems
  - do not identify cash balances of Title IV program funds maintained in the school's bank account as readily as if those funds were maintained for each program in a separate account, or
  - do not identify adequately the interest or investment revenue earned on Title IV program funds maintained in the school's bank account; *or*

- the school's financial records
  - are not maintained on a current basis,
  - do not accurately reflect all Title IV program transactions, or
  - are not reconciled at least monthly; *or*
- the school has otherwise failed to comply with record-keeping and reporting requirements required by applicable federal regulations.

Interest-Bearing Account

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.163(c)(1)(2)

A school must remit to ED, at least annually, the interest or investment revenue earned on Title IV program funds maintained in an interest-bearing or investment account.

For any award year, a school that participates in the Federal Perkins Loan Program must maintain its Perkins Loan funds in:

- an interest-bearing account that is federally insured or secured by collateral of value equivalent to the amount of Title IV program funds in the account *or*
- an investment account that consists predominantly of low-risk income-producing securities, such as obligations issued or guaranteed by the U.S. government. If a school maintains federal funds in an investment account, the account must remain sufficiently liquid to make required disbursements to students.

A school that does not participate in the Federal Perkins Loan Program must maintain other Title IV program funds in an interest-bearing account if the school does not meet the criteria listed in the next paragraph. If applicable, the account must meet the same, just-cited, interest-bearing or investment-account requirements.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.163(c)(3)(i-iii)

A school is not required to maintain an interest-bearing account if:

- the school drew down less than $3 million from Title IV programs in the previous award year and anticipates that it will draw down less than $3 million in the current award year;
- the school demonstrates by its cash management practices that it would not earn more than $250 in interest by maintaining in an interest-bearing account the total amount of Title IV program funds that it will draw down during the current award year; *or*

- the school requests those funds using the just-in-time payment method.

Schools that request funds using the just-in-time payment method are exempt from having an interest-bearing account because the payment method ensures expeditious accounting and funds disbursement.

Reference:
- 34 CFR 668.163(c)(4)

A school may retain up to $250 per year of the interest or investment revenue earned on Title IV program funds (except for Federal Perkins Loan funds) during an award year. The school must put all interest and investment revenue earned for Perkins Loans into its revolving Perkins Loan fund.

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.163(d)

If a school is not required to maintain separate accounts, it must maintain accounting and internal control systems that:

- identify the cash balance of the funds of each Title IV program that is included in the institution's interest-bearing or investment account *and*
- identify the earnings on Title IV funds maintained in the school's interest-bearing or investment account.

In addition, a school must maintain its financial records accordingly.

4.6 Obtaining Federal Family Education Loan (FFEL) Program Funds

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

The Federal Family Education Loan (FFEL) Program includes Federal Stafford Loans (subsidized and unsubsidized), Federal PLUS Loans (for parents), and Federal Consolidation Loans.

FFEL Program loans are made to students and parents by banks, savings and loans, credit unions, and other financial institutions. A school obtains a borrower's funds directly from the borrower's lending institution or servicer.

Federal statute requires that proceeds from Stafford and PLUS Loans be disbursed directly to schools for delivery to borrowers.

Generally, for FFEL Program funds, the following distinction is made between the terms "disbursement" and "delivery."

- *Disbursement* refers to the process by which a lender cuts a check and sends it to a school or transmits funds to a school electronically. Disbursement is considered to have occurred on the date that a lender writes and mails a check or deposits funds directly into a school's bank account.

- *Delivery* refers to the process by which a school makes FFEL funds available to a borrower. A school may deliver loan proceeds by paying a borrower directly or by crediting a student's account. Delivery is part of the disbursement process.

Reference:

- 34 CFR 668.161(a)(3)(iii)
- 34 CFR Part 682.604

However, in terms of cash management, "disburse" means the same as delivering loan proceeds. There are three methods by which a lender may disburse FFEL funds to a school on behalf of a student or parent borrower—electronic funds transfer (EFT), master check, or individual check.

Electronic Funds Transfer (EFT) and Master Checks

A school may receive a borrower's FFEL funds from a lender by EFT. To do so, a school must enroll in EFT with the lender to enable the lender to deposit FFEL funds directly into the school's designated bank account.

A school may also receive a borrower's loan proceeds by master check if the school and lender have entered into an agreement to use master checks. A master check is a single check, written by a lender, that contains all the lender's FFEL Program funds for the school's borrowers as of a given disbursement date.

Both EFT and master check disbursements must be accompanied by a list of names, Social Security numbers, and loan amounts of borrowers who are to receive a portion of the EFT or master check disbursement. The list enables a school to identify individual borrowers to whom loan proceeds must be delivered.

A school may request loan proceeds by EFT or master check no earlier than 13 days before the first day of a student's enrollment period. If a Stafford Loan borrower is subject to delayed disbursement, disbursement by EFT or master check may not be requested until the 24th day of the student's enrollment period.

Reference:

- See Section 4.11 of this book for more information about delaying the return of FFEL funds under certain circumstances.

A school must obtain a borrower's written authorization to receive his or her loan proceeds by EFT or master check. Authorization may be given in the borrower's loan application, or it may be obtained separately. If written authorization to disburse by EFT or master check is not given in the borrower's loan application, it must be obtained not more than 30 days before the beginning of the enrollment period for which the loan is intended.

- The EFT approval is for the school to accept loan proceeds from the lender and to credit the student's school account. It is not for direct payment to the student's bank account.

Individual Checks

A school may receive a borrower's Stafford Loan or PLUS Loan proceeds from a lender in the form of an individual bank check made co-payable to the borrower and the school. The school endorses the check and then delivers the loan proceeds to the borrower. A school must deliver loan proceeds to a student borrower within 30 days of the date the school receives the check.

Co-payable PLUS checks must be sent directly to a school by a lender. A school must deliver PLUS loan proceeds to a parent borrower within 30 days of receiving a check. However, a school is not required to endorse a PLUS check before sending it to a parent borrower. The school may require the parent borrower to return the PLUS check the borrower endorsed to the school for the school's endorsement. The school then deposits it and credits the student's account.

Reference:

- See Section 4.11 of this book for more information about the deadlines for returning FFEL funds that cannot be disbursed to a student or parent borrower in the form of EFT, master check, or paper check.

In no case may a school request loan proceeds by co-payable check earlier than 30 days before the first day of student's enrollment period. If a Stafford Loan borrower is subject to delayed disbursement, a school may not deliver Stafford Loan proceeds until 30 days after the beginning of the student's enrollment period.

4.7 Disbursing Title IV Program Funds

Cash management regulations contain a specific definition of the term "disburse." Title IV program funds are disbursed when a school credits a student's account with funds or pays a student or parent directly with either:

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.164(a)(1)

- Title IV funds received from ED,
- Federal Family Education Loan (FFEL) Program funds received from a lender, or
- institutional funds used before receiving Title IV program funds.

Before a school disburses Title IV program funds, the school must notify the student of the amounts of Title IV funds expected to be received and how and when those funds will be paid.

However, there are three exceptions when crediting institutional funds labeled as Title IV funds to a student's account before receiving the actual Title IV program funds that *do not result immediately in a Title IV disbursement:*

Reference:

- 34 CFR 668.164(a)(2)

***However, a school can make a credit disbursement with institutional funds earlier than ten days before the first day of classes of a payment period, but it is not a Title IV aid disbursement.**

- If a school credits a student's account with the institutional funds before receiving Title IV funds *earlier than ten days before the first day of class of a payment period,* the Title IV disbursement occurs on the tenth day before the first day of class*; *or*

- For a student whose loan funds are subject to 30-day delayed disbursement, if a school credits the student's account with institutional funds before receiving Title IV program funds *earlier than 30 days after the first day of the payment period,* the Title IV loan disbursement occurs on the 30th day after the beginning of the payment period; *or*

- If a school simply makes a memo entry for billing purposes or credits a student's account and does not identify it as a Title IV credit (for example, an "estimated Federal Pell Grant"), the disbursement does not occur until the posting is subsequently converted to an actual credit.

To disburse Title IV program funds to a student or to deliver the proceeds of a FFEL Program loan to a student borrower or parent borrower, a school may:

Reference:

- 34 CFR 668.164(c) (1)(2)

****A school may endorse a lender's FFEL check or FFEL PLUS loan check and issue that check to the borrower as payment of the loan proceeds.**

Reference:

- 34 CFR 668.164(c)(3)

Reference:

- 34 CFR 668.164(c)(4)

Reference:

- 34 CFR 668.164(d)

- have a check drawn from a federal funds account or from the school's general account

- pay a student or parent directly
  - by check** or other means payable to the student and requiring the student's endorsement or certification (or, in the case of a parent borrowing under the Direct Loan Program or FFEL Program, requiring the endorsement or certification of the student's parent); *or*
  - by initiating an EFT to a bank account designated by the student (or, in the case of a parent borrower, an account designated by the parent); *or*
  - by dispensing cash to the student for which the school obtains a signed receipt from the student.

- credit a student's account at the school. In the case of Direct Loans, a school must credit the student's account, if the school uses student accounts.

Federal regulations require schools to notify a student or a parent borrower of the amount of Title IV program funds the student can expect to receive and how and when those funds will be paid.

Paying Students or Parents Directly

If a school does not credit a student's account with payments of Title IV program funds for allowable charges, it must pay the student or parent directly.

Some schools use more than one payment method. For example, a school might credit a student's account for tuition and fees, then pay remaining Title IV funds directly to the student.

Issuing Checks

A school may pay a student or parent by issuing a check and charging it directly to its federal program accounts. If, however, a Direct Loan school uses student accounts, it must credit the student's account.

For loans made under the FFEL Program, the check issued may be the co-payable check sent to the school by a lender. A school may endorse a lender's Federal Stafford Loan or Federal PLUS Loan check and issue that same check to the student borrower or parent borrower as payment of the loan proceeds. Or the school can have the borrower sign the check, the school endorses the check and deposits it, and then the school credits the student's account. The funds credited are either used to pay allowable charges or, with the borrower's permission, are held as funds in excess of allowable charges.

Reference:

- 34 CFR 668.164(c)(2)(i)

For all Title IV program funds, a school may issue checks drawn from the bank account in which the school maintains federal funds or from the school's own account.

To properly issue a check for Title IV funds, including FFEL funds, a school must release, distribute, or otherwise make the check available by:

- mailing the check to the student or parent *or*
- notifying the student or parent that the check is available, on request, for immediate pickup.

EFT

A school may pay a student or parent by electronically transmitting Title IV program funds directly to the student's or parent's designated bank account. The school must obtain written authorization from the student or parent to pay Title IV funds through EFT.

Crediting a Student's Account

Crediting a student's account (at a school) is defined as posting a payment of funds to a student's account. In the context of federal regulations governing Title IV programs, a student's account may be any record-keeping system that a school uses to post institutional charges and payments of Title IV program funds. The system may be manual or automated.

Reference:

- 34 CFR 668.164(d)(1)(i-iii)

If a school credits a student's account with Title IV program funds, it may apply those funds only to allowable charges. Allowable charges include:

- tuition and fees,
- board, if the student contracts with the school for board, *and*
- room, if the student contracts with the school for room.

Reference:

- 34 CFR 668.164(d)(2)(i)(ii)

If a school obtains a student's or parent's written authorization to use Title IV program funds to pay other costs, allowable charges may also include:

- institutional charges that were incurred by the student for educationally related activities in addition to those not requiring an authorization *and*
- minor prior-year charges if these charges are less than $100 or if the payment of these charges does not, or will not, prevent the student from paying his or her current educational costs.

However, in general, Title IV program funds are only used to pay for educational expenses a student incurs in the period for which these funds are provided. When students request that Title IV funds be used for prior-year charges, schools should handle such requests in a very judicious manner.

A school may not require a student or parent to authorize the use of Title IV funds to pay for other costs. Furthermore, if a student or parent opts to give the such authorization to a school, the school must allow the student or parent to modify or rescind the authorization at any time.

New

Reference:

- HEA, Section 445c

An institution may, at a student' request, make Federal Work-Study payments directly to the student's bank account or may credit a student's account at the institution for tuition and fees, room and board, and other institutionally provided goods and services.

Reference:

- 34 CFR 668.164(d)(3)

Reference:

- 34 CFR 668.165(a)(3)(i)(ii)
- DCL-CB-96-8

Title IV Loan Programs

When a school disburses Direct Loan funds by crediting a student's account at the school, the school must first credit the student's account with those funds to pay outstanding, current, and authorized charges.

When a school credits a student's account with Federal Perkins Loan funds (whose promissory notes contain provisions effective on July 1, 1996), Direct Loan funds, or Federal Family Education Loan (FFEL) Program funds received by EFT or master check, it must notify the student or parent in writing or electronically no earlier than 30 days before nor no later than 30 days after crediting the student's account of:

- the date and amount of the disbursement,
- the borrower's right to cancel all or a portion of the loan, and
- the procedures and time by which the borrower must notify the school that he or she wishes to cancel all or a portion of the loan.

In addition, if the school sends the notice electronically, it must require the recipient of the notice to confirm receipt of the notice and the school must maintain a copy of that confirmation.

The school must return the loan proceeds, cancel the loan, or do both, if the school receives a request from the borrower within 14 days after the date the school sends the disbursement notice, *or* if the schools sends the disbursement notice more than 14 days before the first day of the payment period, by the first day of the payment period. In addition, a school may return the loan proceeds, cancel the loan, or do both, if the school receives the notice after this deadline, but *it is not required to do so.*

A school must notify a student or parent in writing or electronically regarding the outcome of any cancellation request.

Separation of Functions

The business office and financial aid office are located in one office at some schools. Although this setup may provide better student services, it is important to remember that federal regulations require a school to divide the functions of authorizing payments and disbursing funds so that no single office or individual has the responsibility for both functions for any student receiving Title IV funds.

- For example, under the Perkins Loan Program, the financial aid office may award Perkins Loan funds. The business office may be responsible for collecting and handling promissory notes, billing borrowers in repayment, collecting payments, authorizing deferments, cancelling loans, counseling students, and reporting on Perkins Loans to NSLDS. A school may contract with a third-party servicer for some of these activities, and some schools have a separate loan office that is part of either the business office or the financial aid office.

Title IV Credit Balances

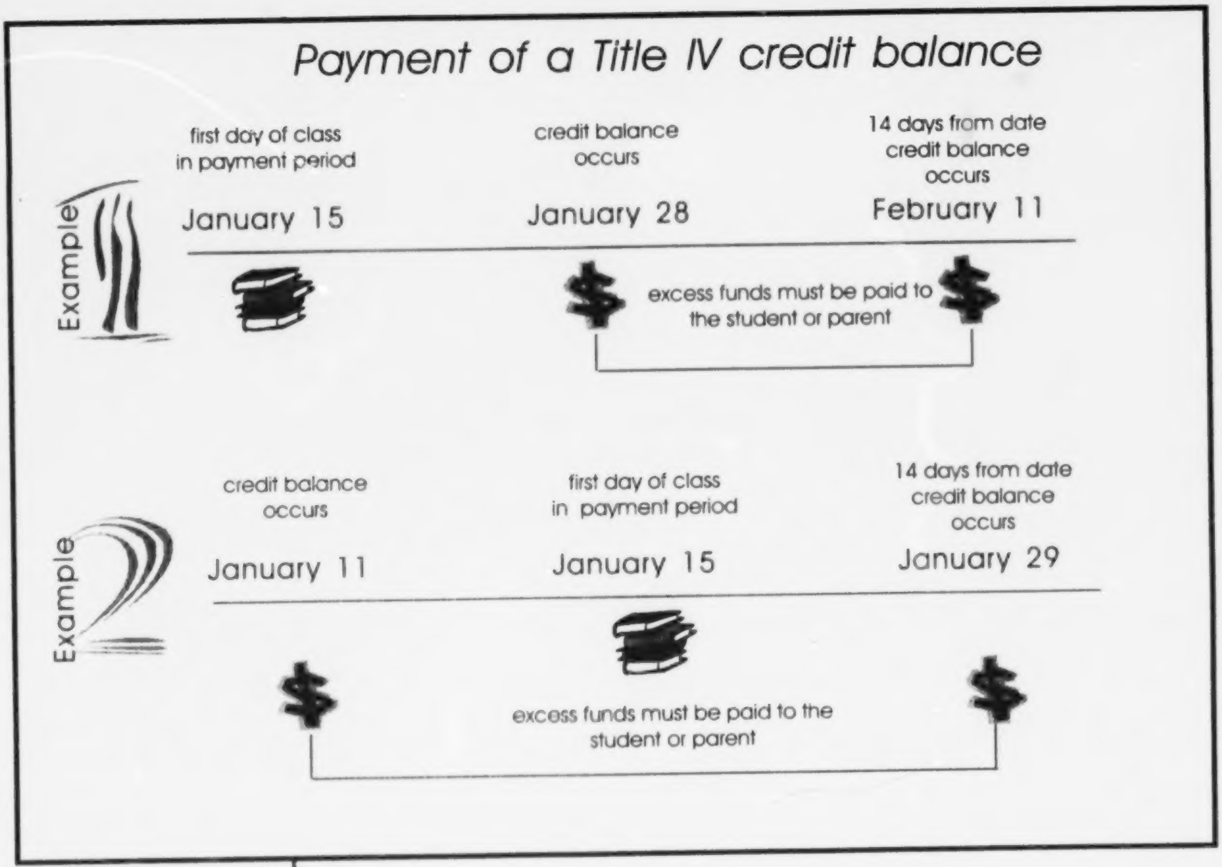
Reference:
- 34 CFR 668.164(e)

When a school applies Title IV funds *to a student's account* and determines that the amount of the funds exceeds allowable charges the school assessed the student, the school must pay the credit balance directly to the student or parent borrower as soon as possible, but no later than the 14-day deadlines described below. The only exception is when the school has the student's permission to hold credit balances.

A school must pay a credit balance to a student or notify the student or parent that the check is available on request within 14 days of:

- the date the balance occurs, if it occurs on or after the first of class of a payment period; *or*
- the first day of class of a payment period, if it occurs before the start of class of that payment period; *or*
- the date the student rescinds authorization given to the school to hold Title IV credit balances.

The two examples on the next page illustrate how schools can pay a Title IV credit balance to a student's account.



Payment of a Title IV credit balance

Example 1
first day of class in payment period
January 15
credit balance occurs
January 28
14 days from date credit balance occurs
February 11
excess funds must be paid to the student or parent
Example 2
credit balance occurs
January 11
first day of class in payment period
January 15
14 days from date credit balance occurs
January 29
excess funds must be paid to the student or parent

Early Disbursements and Multiple Disbursements

Reference:

- 34 CFR 668.2(b)(iii)

A school may not make a payment to a student or a student's account until the student is enrolled for classes for the applicable payment period or enrollment period. Federal regulations define "enrolled" as the status of a student who:

- has completed registration requirements (except for paying tuition and fees) at the school the student is attending *or*
- has been admitted into an educational program offered predominantly by correspondence and has submitted one lesson, completed by the student without the help of a representative of the school, after acceptance for enrollment.

Except for students subject to the 30-day delayed disbursement, the earliest a school may pay a student directly or credit a student's account with Title IV funds is ten days before:

- the first day of an enrollment period for which that disbursement is intended;*

Reference:

- 34 CFR 668.164(f)(1)(2)(i)(ii)

***Schools may incur liabilities if they disburse Title IV funds earlier than allowed by the 10-day rule.**

- for clock-hour or credit-hour nonstandard programs, the second and subsequent disbursements may not be made until the student has completed all of the hours for which he or she has already been paid;

Reference:

- 34 CFR 682.604(c)(7)(8)
- 34 CFR 685.301(b)(5)(6)

- for clock-hour, nonterm credit hour, and nonstandard term programs, the second disbursement of Direct Loan Program funds or the second delivery of FFEL Program funds cannot be made until the later of:
  - the calendar midpoint between the first and last scheduled days of the loan period *or*
  - the date determined by the school that the student has completed half of the academic coursework in the loan period for nonterm credit hours or nonstandard term programs *or* the date determined by the school that the student has completed half of the clock hours in the loan period for clock- hour programs;

Reference:

- 34 CFR 682.604(c)(6)(i)
- 34 CFR 685.301(b)(3)(i)

- for credit-hour programs with standard terms, if the loan period is more than one payment period, the school shall deliver loan proceeds at least once in each payment period (for example, one semester); *and*

Reference:

- 34 CFR 682.604(c)(6)(ii)
- 34 CFR 685.301(b)(3)(ii)

- for credit-hour programs with standard terms, if the loan period is one payment period (for example, one semester), the second disbursement of Direct Loan Program funds or the second delivery of FFEL Program funds cannot be made until the calendar midpoint between the first and last scheduled days of class of the loan period.

Reference:

- 34 CFR 682.604(c)(9)
- 34 CFR 685.301(b)(7)

In any case, whatever the academic program, the school must deliver FFEL proceeds or disburse Direct Loan proceeds in substantially equal installments, and no installment may exceed one half of the loan.

Reference:

- 34 CFR 685.301(b)(4)(i)(ii)(8)

***If a school is not in a state, it is not required to make more than one disbursement.**

Furthermore, for the Direct Loan Program, if one or more payment periods have elapsed before the school makes a disbursement, the school may include loan proceeds for completed payment periods in the disbursement. Also, if the loan period is equal to one payment period and more than one-half of it has elapsed, the school may include loan proceeds for the entire payment period in the disbursement.*

Delayed Disbursements

Reference:

- 34 CFR 668.164(f)(3)

A student borrowing under the Direct Loan Program or FFEL Program is subject to delayed disbursement if the student:

- is enrolled in the first year of an undergraduate program of study *and*
- has not previously received a Direct Loan Program or an FFEL Program loan.

A school may not release the first disbursement of a Direct Loan Program or FFEL Program loan to a first-year, first-time, undergraduate student borrower until 30 calendar days after the first day of the student's program of study for which the loan is intended. The reason: The student might change his or her program of study, drop out, or take a leave of absence within the first 30 calendar days of the enrollment period. Because of this, the student may not receive loan proceeds until after he or she has been enrolled and attending the new program of study for 30 calendar days.

Reference:

- HEA, Section 428G (b)(1)

This requirement does not apply to:

- a school that has a cohort default rate of less than 10 percent for the three most recent fiscal years for Direct Loan Program loans and FFEL Program loans,
- a parent who borrows a Direct PLUS Loan or Federal PLUS Loan on behalf of a student, *or*
- a school that has a cohort default rate of less than 5 percent for loans for study-abroad programs, if those programs are approved by the home institution.

Late Disbursements

Reference:

- 34 CFR 668.164(g)(1) (i)(ii)

A formerly eligible student may be eligible to receive a late disbursement. An institution may make a late disbursement if:

- for the Pell Grant, FSEOG, and Perkins Loan Programs, the student is no longer enrolled at the school for the award year *and*
- for the Direct Loan and FFEL Programs, the student is no longer enrolled at the school as at least a half-time student for the loan period.

Reference:

- 34 CFR 668.164(g)(2) (i)(ii)(A-E)

Depending on the Title IV program, there are conditions a school must meet before disbursing funds to an ineligible student. To be eligible for a late disbursement, the student must have accrued costs while enrolled that were not satisfied by any other aid. A school may pay a formerly eligible student, if before the date the student became ineligible the school:

- has received a SAR or ISIR with an official, calculated Expected Family Contribution (EFC);
- for a Pell Grant, has a valid SAR or ISIR;
- for an FSEOG Program award or a Perkins Loan award, has awarded the student a grant or loan;

- for a Direct Loan Program loan, has created an electronic origination record for that loan;
- for an FFEL Program loan, has certified a loan application for that loan; *and*
- for a Direct Loan or a FFEL Program loan, has checked that a first-year, first-time undergraduate borrower completed the first 30 days of enrollment of his or her program of study.

A school may *not* make a late second or subsequent disbursement of a Federal Direct Subsidized Loan, Federal Direct Unsubsidized Loan, or a FFEL Stafford Loan, unless the student has graduated or successfully completed the period of enrollment for which the loan was intended.

Reference:

- 34 CFR 668.164(g)(3) (i)(ii)

If a student or parent borrower qualifies for a late disbursement, a school may make a late disbursement if the funds are used to pay for educational costs that the school determined were incurred for the period in which the student was enrolled and eligible.

- The school must make the disbursement to the student no later than 90 days after the student becomes ineligible.

Holding Title IV Credit Balances

Reference:

- 34 CFR 668.165(b) (1)(iii)(5)(i-iii)

A school, as fiduciary for the benefit of a student, may hold amounts of Title IV funds that exceed allowable charges *if* the student or parent borrower authorizes the school to retain the credit balances to assist the student or parent borrower in managing those funds.

If a student authorizes a school to hold credit balances, and if the school chooses to hold the credit balances, the school:

- must identify the student and the amount of the credit balance the school holds for that student in a subsidiary ledger account designated for the purpose of holding funds;
- must maintain, at all times, an amount of cash in its bank account that is at least equal to the amount of the credit balance the school holds for the student; *and*
- may retain any interest earned on the student credit balances.

Reference:

- 34 CFR 668.165(b)(5) (iii)

However, notwithstanding any authorization the school obtains from the student or parent, the school must pay any remaining balance on the loan funds by the end of the loan period and any other remaining Title IV aid funds by the end of the last payment period in the award year for which they were awarded.

If ED determines that a school has failed to meet the standards of financial responsibility, the school may not hold the credit balance for any purpose.

Student/Parent Authorizations

Reference:
- 34 CFR 668.165(b)(1)(i)(ii)

A school must obtain written authorization from a student or parent to:

- disburse Title IV program funds to the student or parent by EFT,
- use Title IV program funds to pay for charges other than allowable charges, *or*
- hold Title IV credit balances.

Reference:
- 34 CFR 668.165(b)(2)(i)(ii)

A school may not require a student or parent to provide an authorization for any of these activities. If a student or parent opts to authorize a school to perform any of these activities, the school must allow the student or parent to rescind the authorization at any time.

An authorization is good for the period during which the student is enrolled at the school. An initial authorization will continue to be valid for subsequent award years or enrollment periods as long as the student or parent does not rescind it.

- A break in enrollment does not invalidate the authorization.
- The written authorization must give the student or parent the opportunity to cancel or modify the provisions of the original authorization.

4.8 Excess Cash

Reference:
- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.166(a)(1)(2)

Excess cash is any amount of Title IV program funds (other than FFEL Program or Federal Perkins Loan Program funds) that a school does not disburse to students by the end of the third business day following the date the school received the funds. Except as described in the next section on tolerances, a school must reallocate funds to other programs or promptly return to ED any amount of excess cash in its bank account.

- Schools under the just-in-time payment method are exempt from this requirement as they won't ever have excess funds.

A school may have excess cash in its account if:

- it is as a result of a reduction to reported expenditures on a closed award*;

***GAPS no longer reports expenditures.**

- the school has unused funds and expects no more funding from ED;
- the school earned interest or investment income on federal funds in excess of the amount it is allowed to retain;
- funds were drawn down and not used in accordance with immediate need rules; *or*
- the school owes ED for disallowed program expenditures found during an audit or program review.

Disallowed Program Expenditures

In respect to disallowed program expenditures discovered during an audit or program review, a school is considered to have excess cash if:

- the school draws down funds, credits the student's account, and then the student no longer attends the school.
  - The school must cancel the disbursement and return funds to its federal cash account. This may cause the school to have excess cash, depending on its cash needs.
- the school draws down more money than it spends.
  - Because the unused funds were drawn down and deposited in the school's cash account, the school must return the money as excess cash or adjust its next drawdown if it is within the timelines allowed by regulations.
- the school draws down funds and disburses them improperly.
  - This is considered a liability. Because the school had use of the improperly disbursed funds, the school is charged interest on the use of those funds.
  - This situation occurs when the school credits the student's account with Title IV financial aid and fails to cancel the awards when the student doesn't attend *or* when the school fails to provide matching (nonfederal) funds for the campus-based programs.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.166(b)(1)(i)(A)(B)

Tolerances

If a school draws down Title IV program funds in excess of its immediate cash needs, the school may maintain the excess cash balance in its bank account only if:

- the amount of the excess cash balance is less than 3 percent of the school's total prior-year drawdowns for a period of peak enrollment during which the drawdown occurs *or*

- the amount of excess cash balance is less than 1 percent of its total prior-year drawdowns for any other period.

Reference:

- 34 CFR 668.166(b)(1)(ii)

If the school qualifies for either of these criteria, the school must eliminate its excess cash balance within the next seven days by disbursing Title IV funds for students for at least the amount of the balance.

Reference:

- 34 CFR 668.166(b)(2)(i-iv)

A period of peak enrollment occurs when at least 25 percent of a school's students start classes during a given 30-day period. For any award year, a school calculates the percentage of students who started classes during a given 30-day period by:

1. determining the number of students who started classes during that period for the prior award year in which the 30-day period began;
2. determining the total number of students who started classes during the entire prior award year in which the 30-day period began;
3. dividing the number of students in step 1 by the number of students in step 2; *and*
4. multiplying the result obtained in step 3 by 100.

Reference:

- 34 CFR 668.166(b)(3)

To determine total prior year drawdowns, a school participating in the Direct Loan Program may include the total amount of loans guaranteed under the FFEL Program for students attending the school during that year.

Liabilities

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.166(c)(1)(i)(ii)

If ED finds that a school maintains excess cash balances in its bank account that are greater than those allowed, ED may:

- require the school to reimburse the federal government for costs incurred in making those excess funds available to the school *and*
- initiate proceedings to fine, limit, suspend, or terminate the school's participation in one or more Title IV programs.

Reference:

- 34 CFR 668.166(c)(2)(i)

When examining whether a school has maintained excess cash, ED considers a school to have issued a check to a student on the date that the check cleared the bank, unless the school can demonstrate that it issued the check shortly after writing it.

Reference:

- 34 CFR 668.166(c)(2)(ii)

If ED finds that a school has maintained excess cash, ED calculates (or requires the school to calculate) a liability for maintaining excess cash in accordance with ED-established procedures. Under those procedures, ED assesses a liability that is equal to the difference between the earnings that the excess cash balance would have yielded if it had been invested under the applicable current value of funds rate and the actual interest earned on the balance.

The current value of funds rate is an annual percentage rate, published in a Treasury Financial Manual (TFM) bulletin, that reflects the current value of funds to the U.S. Department of Treasury (Treasury) on the basis of certain investment rates. The current value of funds rate is computed each year by averaging investment rates for the 12-month period ending every September. The TFM bulletin is published annually by Treasury. Each annual bulletin identifies the current value of funds rate and the date that rate becomes effective.

4.9 Methods for Returning Funds

Procedures for returning funds vary, depending on the circumstances under which a school is returning funds. If ED notifies a school that it must return funds, the notification usually contains specific instructions the school must follow.

Excess Cash

Reference:

- GAPS *Payee Guide*

Excess cash exists when any grant award in GAPS has a positive cash balance. This occurs when the school, as a payee, has net draws that exceed expenditures for one or more of the payee's grant awards three business days after the funds have been deposited into its bank account.

Payees should reconcile their grant awards on a regular basis and are required to resolve any excess cash balances throughout the year. A payee can resolve an excess cash balance by:

- returning excess cash to ED *or*
- reallocating drawn funds among grant awards in GAPS to comply with immediate cash needs.

Reference:

- See Section 4.2 of this book for more information about immediate need.

If a school must return funds to ED, the school must follow appropriate procedures for returning funds that are under $100,000 by check and by FEDWIRE for funds that exceed $100,000.

To assist payees in reconciling their internal accounting records with ED's information in GAPS, payees can access GAPS Activity Reports through the GAPS External Access System.

If a school fails to resolve cash balances, the school as a payee may be subject to penalties.

Closed Award

If a school needs to return funds as a result of reducing expenditures on a closed award, the school simply sends a remittance to the lockbox at:

U.S. Department of Education
P. O. Box 952023
St. Louis, MO 63195-2023

The remittance should include the school's DUNS number and Document Award Number; it also should indicate that the remittance is for a closed award.

***FAR is a general ledger of the Financial Management System Software (FMSS) under EDCAPS.**

The collections for closed awards are posted in FAR* (Receivable) as unbilled collections under the school's DUN number. No receivables are established, nor is the school's account adjusted in GAPS. The funds are posted to Miscellaneous Receipts and ultimately returned to the U.S. Department of Treasury.

Federal Pell Grant

For any award year that is more than five years old (the 1992-93 award year as of September 30, 1998 and the 1993-94 award year as of September 30, 1999), decrease adjustments are both cancelled and closed. The federal Pell Grant system no longer processes these adjustments and GAPS no longer posts the adjustments to the school's account or adjusts expenditures. Schools should no longer submit Decrease Award Reports as described in the various post-deadline adjustment letters published every fall.

Schools should return closed Federal Pell Grant award funds to the St. Louis lockbox address used for returning unbilled and voluntary refunds, as listed above.

Funds from an Audit or Program Review

Reference:

- GAPS *Payee Guide*

If a school owes payments to ED, a copy of its Final Audit Determination Letter (FADL) or Final Program Review Determination (FPRD) letter is sent to the Receivables and Cash Receipts Team (RCRT) where an account receivable is established for the school. A school is billed for the

Reference:
- GAPS *Payee Guide*

disallowed amount of funds, accrued interest, and penalties through ED's billing agent. Payment instructions are included with the bill.

- If a school owes ED $100,000 or more, it must remit payment through its financial institution by FEDWIRE.
- If a school owes ED less than $100,000, it must remit payment by check to ED's billing agent.

A school may not reduce amounts reported as net drawdowns on its GAPS Activity Reports to account for expenditures disallowed as a result of an audit or program review. Any Title IV funds returned for this purpose will not be credited to a school's GAPS account. Unless otherwise directed by the FADL or FPRD letter, a school may not attempt to adjust its prior year FISAPs or Federal Pell Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review, nor may it make repayments directly to any FFEL Program lender or to the Direct Loan Servicing Center. However, sometimes ED requires schools to:

- buy loans,
- send in payments on behalf of students,
- repay a lender, and
- send in a separate check for Direct Loan liabilities.

Interest Earned

Reference:
- GAPS *Payee Guide*
- 34 CFR 668.163(c)

If a school receives funds through advance payment and retains those funds in an interest-bearing or investment account, the school is required to return to ED, at least annually, the amount of interest or investment earnings that exceeds the amount the school is allowed to retain. However, a school must retain and use all interest or investment income earned on Federal Perkins Loan funds for authorized purposes of the program.

If a school does not return required amounts of interest or investment income, future payments of Title IV program funds may be reduced (offset) by the amount of that income.

Schools must return excess interest income to ED by check, indicating on the check that it represents interest earnings. The check should be sent to:

U.S. Department of Education
P.O. Box 952023
St. Louis, MO 63195-2023

The remittance should also include the school's DUNS number and Document Award Number; it should also indicate that the remittance is for interest earned.

4.10 Releasing Campus-Based Funds

Reference:

- *Student Financial Aid Handbook: Campus-Based Programs Reference*
- Dear FAA Letter CB-98-7 (LD)

***Beginning August 1999, electronic reallocations (included in the FISAP software disk) will be sent to schools. Institutions must complete the E40-4P form and submit it to ED by August 27, 1999.**

If a school does not use its total allocation of funds for Title IV campus-based programs (Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant, and Federal Work-Study), the school is required to release unexpended amounts to ED.

In August each year, ED electronically sends schools a letter and a Campus-Based Reallocation Form (E40-4P) advising them that they must release funds not spent by June 30 of that year*. In addition, schools are asked to determine the amount of FSEOG and FWS funds they have spent by that date and the amount of Federal Capital Contribution that they did not request from GAPS by the same date. Later, a school also must determine the actual amounts spent as of the end of the award year and during GAPS liquidation period it must adjust drawdowns for expenditures incurred during the GAPS performance period. Funds are reduced by the amounts released for the campus-based programs authorization in GAPS for that award year. ED will reallocate these "released" funds by September 30th of the subsequent award year as supplemental allocations for other schools that qualify to receive them for that award year.

4.11 Returning Federal Family Education Loan (FFEL) Program Funds

Reference:

- *Student Financial Aid Handbook: Direct Loan and FFEL Programs Reference*

It is sometimes necessary for a school to return all or a portion of a loan made under the Federal Family Education Loan (FFEL) Program to the lender that made the loan. FFEL Program funds must be returned if:

- a student fails to enroll for an enrollment period for which the loan is intended;
- a student fails to meet satisfactory academic progress or other eligibility requirements (for example, entrance loan counseling) at the time the loan is due to be delivered;
- before funds are delivered to a student, the student withdraws or drops out during an enrollment period for which the loan is intended;
- a refund is due a lender as a result of a refund calculation; *or*

- a student or parent requests a school to return FFEL Program funds to reduce the borrower's principal loan balance.

Regulations provide for three periods for disbursing and returning FFEL Program funds:

1. initial period
2. conditional period
3. return period

The requirement that a school "return funds no later than ten business days" means that a school must mail a check or initiate an EFT of FFEL funds to the lender by the close of business of the last day of the return period.

Initial Period

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.167(b)(1)(i-iii)

Funds that a school receives from a lender in the form of a check made payable to the borrower or copayable to the borrower or institution must be delivered to the borrower no later than 30 calendar days after the school receives the funds.

Funds received by the school through EFT or master check must be delivered to the borrower no later than ten business days after the school receives the funds.

- Beginning July 1, 1999, such funds must be delivered to the borrower within three business days of being received.

Conditional Period

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.167(c)(1)

A school has ten business days after the last day of the initial period to deliver FFEL funds received by EFT or master check only if:

1. the school determines that the student has not, but can complete the required number of clock hours or credit hours in the preceding payment period within those ten business days *or*
2. the student has not met all of the FFEL eligibility (such as registering for the required number of hours, completing entrance loan counseling, or being reinstated to satisfactory academic progress), but the school expects the student to meet those requirements during this ten business day period.

Reference:

- 34 CFR 668.167(d)(1)

A school on the reimbursement payment method may delay returning funds to the lender for an additional 30 calendar days from the date the school receives the funds by EFT or master check.

Return Period

Reference:

- *Student Financial Aid Handbook: Direct Loan and FFEL Programs Reference*
- 34 CFR 668.167(b)(2)(3)

For FFEL Program funds that a school does not disburse by the end of the initial or conditional period, as applicable, the school must return those funds to the lender promptly but no later than 10 business days from the last day of the initial or conditional period. However, if a student becomes eligible to receive FFEL Program funds during the return period, the school may deliver those funds to the student provided that the delivery of funds is made on or before the last day of the return period.

If a student fails to enroll or fails to meet other loan eligibility requirements, a school must return loan proceeds to a lender within 30 days of the school determining that the student is not eligible for the loan.

Reference:

- 34 CFR 682.607(c)(1)

If a student withdraws from school, a school must return loan proceeds to a lender within 60 days of the date:

- the student officially withdraws,
- the student is expelled, *or*
- the school determines the student unofficially withdrew.

If a student drops out and does not notify a school, the school must determine the withdrawal date within 30 days of the *earliest* of:

- the date the school became aware that the student had dropped out;
- the expiration of the academic term in which the student dropped out; *or*
- the expiration of the enrollment period for which the student was charged.

Reference:

- 34 CFR 682.607(c)(2)

If a student is on an *approved* leave of absence and does not return to school, a school must return loan proceeds to a lender within 30 days of the *earlier* of:

- the expiration date of the leave of absence *or*
- the date the student notifies the school that he or she will not be returning to the institution after the expiration of an approved leave of absence.

If a student is on an *unapproved* leave of absence, a school must return loan proceeds to a lender within 60 days of the student's last recorded date of attendance.

When a school returns FFEL Program loan proceeds to a lender, it must notify the student or parent borrower, in writing, that the funds have been returned.

Reference:

- 34 CFR 668.22(h)(2)(v)

The amount of the Title IV program portion of the overpayment allocated to the FFEL Program must be returned to the appropriate program account or accounts at the school within 30 days of the date that the student repays the overpayment.

4.12 Returning Direct Loan Funds

Schools must return Direct Loan funds in the event of excess cash, idle cash, or refunds.

Excess Cash

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- *Direct Loan School Guide*
- DLB-97-33

Like other Title IV funds, Direct Loan excess cash is any amount of Direct Loan funds a school does not disburse to borrowers by the end of the third business day following the date the school receives the funds. This includes excess funds that result from adjusting downward the amount of an actual disbursement.

There are two methods by which schools may return excess Direct Loan cash to ED:

- *Check*—A check may be used if the amount of excess cash is less than $100,000. The check should include all excess funds that need to be returned at a given time, not just those for an individual borrower or type of loan. The check and/or accompanying correspondence should include the school's Direct Loan school code and the academic year the funds should be applied against. The school should also indicate that the funds are excess Direct Loan cash. The check should be mailed to:

  Loan Origination Center
  Attn: Excess Cash
  P.O. Box 2011
  Montgomery, AL 36102-2011

- *FEDWIRE*—An electronic-transfer method must be used if the amount of excess cash is $100,000 or more. A school must instruct its bank that the reason for the remittance is Direct Loan excess cash. The funds must be returned to:

Compass Bank Account No. 70726726
ABA No. 0620 01186

Idle Cash

Reference:

- *Direct Loan Reconciliation Game Workbook*

***The provision in 34 CFR 668.166(b) concerning the amount of an excess cash balance does not apply to idle cash.**

For the Direct Loan Program, cash that has been disbursed becomes idle cash* if and when it is returned to the school's Title IV account(s). The return must be reflected in the school's general ledger or subsidiary ledger. This return may be due to a refund or may be due to other circumstances.

- For example, a student might receive a disbursement but later decide to return all or a portion of the loan and return the funds to the school *or* a student might receive a disbursement and later withdraw or change his or her enrollment status so that all or a portion of the loan proceeds must be returned to the school's Title IV account(s).

A school may maintain idle cash in its federal bank account for up to seven calendar days in order to disburse to, or on behalf of, the student or other students.

Refunds

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- *Direct Loan School Guide*
- DLB-97-33

When a student withdraws, drops out, or leaves school for any reason within 120 days from the disbursement date, a school must determine if a refund is due the Direct Loan Program and, if so, the amount of the refund. The school can handle the refund either by adjusting actual disbursements downward *or* by sending a check to the Loan Origination Center (LOC).

- *Adjusting actual disbursements*—If a Direct Loan refund is due within 120 days of a loan's disbursement date, a school may process the refund by adjusting an actual disbursement.

  When an Option 2 school adjusts a disbursement downward, it returns the net adjustment amount (the amount the borrower returns) to the school's "federal" bank account. An Option 1 or Standard Origination school returns the net adjustment amount to the Loan Origination Center. These methods of returning refunds benefits borrowers, because they are not responsible for loan fees or accrued interest on the refunded amount.

  With this method, the amount cancelled or adjusted is returned to the school's federal bank account, where it immediately must be

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- *Direct Loan School Guide*
- DLB-97-33

disbursed to other eligible borrowers or returned to ED as excess cash.

- *Sending a check*—A school might want to handle a Direct Loan refund as it handles an FFEL Program loan refund, that is, by sending a check to be applied as a payment to a borrower's account. Note, however, that it is to a borrower's advantage for a school to handle refunds by canceling or adjusting actual disbursements. If a check is used to return a refund, the borrower is responsible for loan fees and accrued interest on the amount refunded.

  If a school uses the check method, the school must also supply the information needed to apply the funds to the borrower's account. If a school is returning refunds for more than one student, it should send only one check and attach a list of borrowers' names, loan ID numbers, and refund amounts. The school must indicate on the check, list, or other accompanying correspondence that the funds are to be applied to borrowers' accounts as payments. The check and other information should be mailed to:

  Direct Loan Servicing Center
  Attn: Payment Center
  P.O. Box 746000
  Atlanta, GA 30374-6000

If the student withdraws or drops below half-time enrollment *or* the school identifies an overaward after 120 days from the date of disbursement, the funds must be returned to the Direct Loan Servicing Center as a payment to the borrower's account. Schools should not make an electronic adjustment to the borrower's account. This procedure applies to all Direct Loan schools.

A borrower may also return Direct Loan funds (see the chart on the next page).

REFUND OF LOAN FEE: THE 120-DAY RULE

Refund (credit) of loan fee is given if—

School returns proceeds	Within 120 days of disbursement	***Always***
	More than 120 days after disbursement	***Only if complying with regulations/HEA***

Borrower returns proceeds	Within 120 days of disbursement	Not in repayment	***Always, unless written instructions otherwise***
		In repayment	***Only if written instructions***
	More than 120 days after disbursement	***No refund allowed***	

Chapter 5

Accounting Procedures for Title IV Programs

Summary

Accounting is an extremely important responsibility of institutions participating in Title IV programs. This chapter deals primarily with recommended accounting procedures for institutions. The aim is to help schools identify any areas of difficulty and potential weaknesses in their fiscal management systems. At the same time, schools can identify those areas that are being managed properly and ensure that proper accounting and bookkeeping procedures are performed.

This chapter is a general guide; it is not intended to replace accounting standards established by the American Institute of Certified Public Accountants (AICPA), Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), or the concept of generally accepted accounting principles (GAAP).

Key Terms

- account number
- account payable
- account receivable
- asset account
- capital account
- capital reduction account
- chart of accounts
- checks and balances
- clear audit trail
- credit
- debit
- Direct Loan Servicing Center (DLSC)
- Direct Loan School Account Statement (DLSAS)
- electronic data processing (EDP)
- expense account
- fund accounting
- general ledger
- income account
- internal control system
- journal entry
- ledger account
- liability account
- Loan Origination Center (LOC)
- program balance
- reconciliation
- restricted funds
- revenue account
- separation of functions
- trial balance

5.1 Institutional Financial Management Systems

An institution's financial management system must provide effective control over and accountability for all funds received from the U.S. Department of Education's Grant Administration and Payment System (GAPS). At a minimum, the institution's system must provide:

- accurate, current, and complete disclosure of the financial status of each program or project sponsored by the U.S. Department of Education (ED);
- records that adequately identify the source and application of funds for sponsored activities and contain information on institutional awards, authorizations, obligations, unobligated balances, assets, income, liabilities, revenues, expenditures, and cash disbursements;
- effective control over and accountability for all funds, property, and other assets, including adequate safeguarding of all such assets and ensuring that they are used solely for authorized purposes;
- comparison of actual expenditure amounts with amounts budgeted for each Title IV program;
- whenever funds are advanced through GAPS, procedures to minimize the time between the transfer of funds from the U.S. Treasury and cash disbursement by the institution for making disbursements to students as soon as administratively feasible, but no later than three business days following the dates the institution receives the funds;
- procedures in accordance with the applicable terms of the Title IV program for determining reasonableness, allowability, and allocability of costs;
- accounting records that are supported by audit trail documentation; and
- examinations in the form of external or internal audits, which must be made in accordance with generally accepted auditing standards and government auditing standards.

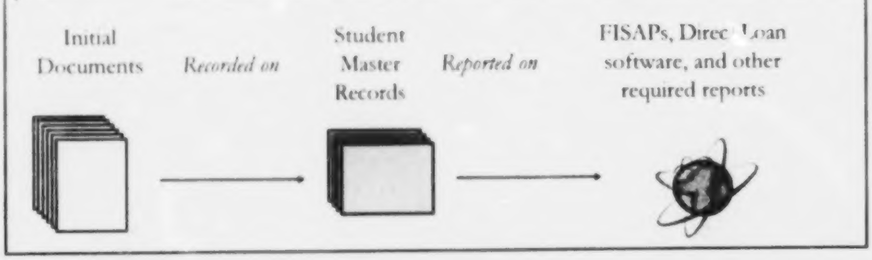
5.2 Bookkeeping and Recordkeeping

An effective institutional financial aid program requires a cooperative effort among all school offices involved in delivering financial aid to students. Separate reporting and record-keeping responsibilities required of each office are described in Chapter 2.

The business office is responsible for all financially oriented accounting and recordkeeping, except for some detailed records and files on individual students that must be kept in the financial aid office. The remainder of this chapter is designed to help the business office satisfy its accounting responsibilities efficiently and with a minimum of effort.

The following flowchart gives an overview of recordkeeping within an institution's financial aid office from initial documents through final reports.

Overview of Recordkeeping in a Financial Aid Office



Records to be maintained include:

- a student's application for financial aid (Free Application for Federal Student Aid [FAFSA]);
- a student's or parent's application for a Federal Family Education Loan or a Direct Loan;
- a copy of the school's award notification to the student;
- an award acceptance letter, signed by the student (optional);
- an "authorization to disburse" record from the financial aid office to the business office;*
- the record of financial aid received to date by the student broken out by Title IV Program;

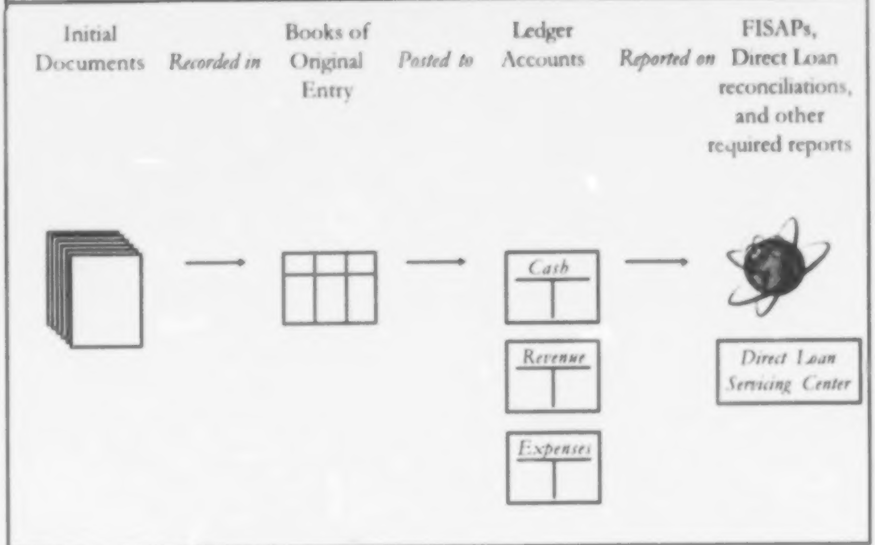
***This part of the checks-and-balances process is normally built into automated financial aid systems. As a result, schools with automated systems are not required to keep paper documentation or memos on file.**

- the student's eligible noncitizen documentation (if applicable);
- the student's ability-to-benefit documentation (if applicable);
- the student's financial aid transcript (if applicable);
- the school's Fiscal Operations Report and Application to Participate (FISAP);
- the school's Direct Loan reconciliation reports (if applicable);
- the student's Student Aid Report (SAR) or Institutional Student Information Record (ISIR);
- the student's verification data (if applicable); and
- certifications signed by the student—Statement of Educational Purpose and Certification on Overpayments and Defaults.

Bookkeeping and recordkeeping should be designed to enable timely internal and external financial reporting, proper filing of applications, and accurate final reports, as well as to meet documentation requirements for various financial aid programs. When designing an accounting system, the chart of accounts, books of original entry, billing, reporting requirements, and the like should all be taken into consideration.

- For example, the numerous ledger accounts set up for an institution's Federal Perkins Loan fund are created to assist the school in preparing year-end reports that must be filed with ED. The institution can simply copy the information from its ledgers to the Electronic FISAP format supplied by ED just before closing entries at the end of the award year. This procedure does not allow for destroying original documentation, but it does permit quick and accurate reference to needed information.

Overview of Accounting Activities in a Financial Aid Office


Initial Documents
Recorded in
Books of Original Entry
Posted to
Ledger Accounts
Reported on
FISAPs, Direct Loan reconciliations, and other required reports
Cash
Revenue
Expenses
Direct Loan Servicing Center

The flowchart above gives an overview of the accounting activities within an institution's business office, from initial documents through final reports. (The business office may also maintain Direct Loan reconciliation reports.) With this system in mind, staff members can see how the entire system fits together and how the journal entries fit into the system. Examples of initial documents maintained in the business office and posted to ledger accounts include:

- cash receipts,
- checks, and
- original journals.

An important general ledger account is *Student Accounts Receivable*; each individual student account is a subsidiary of this account. A sample student account is shown on the next page.

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Sample Student Account Receivable Card:
Tom Sawyer, Fall 1999

Date	Item	Description	Debits (Charges)	Credits	Balance
09/07/99	Tuition	12 Credit Hours	$2,000	$0	$2,000
09/07/99	Room	Dorcas Hall	$2,500	$0	$4,500
09/07/99	Board	The Commons	$3,000	$0	$7,500
09/07/99	Aid	Merit Scholar	$0	$2,000	$5,500
09/07/99	Aid	Perkins Loan	$0	$1,000	$4,500
09/07/99	Aid	Stafford Loan	$0	$2,300	$2,200
				Balance Due:	$2,200

5.3 Accounting

A school's financial accounting system must meet internal and external information needs. The organizational structure of the accounting system should be designed to accommodate both these needs.

Fund Accounting

Fund accounting is the method of segregating assets into categories according to restrictions placed on their use by a funding source. Institutions need to consider their fund accounting needs, particularly with respect to restricted funds or funds that are initially restricted, when designing a chart of accounts. The chart of accounts should accurately reflect the school's current organization and programs, and it should have the flexibility to accommodate any future changes in the organization.

Chart of Accounts

As an aid in discussing records and accounting techniques for financial aid programs, the following summary chart of accounts lists accounts considered necessary for institutions to account properly for Title IV program funds. Whether these accounts are set up in a manual or an automated accounting system does not matter. Either system will need the basic suggested ledger accounts to meet ED's minimum program and fiscal requirements as well as the institution's external reporting requirements, such as basic financial statements and fund statements. Such a system will serve to meet the accounting needs of the institution, ED, and other federal agencies. Additional accounts may be added as deemed necessary by the institution. These accounts should be reviewed at least annually to determine if additions or deletions are necessary to meet changes in federal regulations.

The chart of accounts is a primary internal-control mechanism delineating the framework of the accounts. This chart has two components: (1) a fund number and (2) an account number that usually follows a standard account-code structure (a definition, by name, of the account code). A uniform numbering scheme is used here to assist in identifying the parts of the financial statements on which ledger accounts are located. The numbers assigned to these ledger accounts are arbitrarily assigned, but in sequential order, and these specific numbers are not required to put these ledgers in place in institutional accounting systems.

In all cases, the first digit of an account number identifies an element of the financial statements, as follows:

1 - Asset Account

2 - Asset Reduction Account

3 - Liability Account

4 - Capital Account (*or* Program Balance)

5 - Capital Reduction Account

6 - Income Account (Revenue)

7 - Expense Account

Each federal student financial aid program contains some or all of the elements of the financial statements outlined here. Each is self balancing and is separated completely from other programs and from the general operating fund of the institution. Within each program, the sum of ledger accounts with debit balances equals the sum of ledger accounts with credit balances.

In the following Summary Chart of Accounts, award authorizations are not shown. It is recommended that they be booked as a memo journal entry or budget item. Then, as award authorizations are adjusted, appropriate adjustments to budget figures would be entered. This process helps ensure that drawdown amounts do not exceed authorization levels.

Note: The GAPS accounts shown in the Summary Chart of Accounts, account # 1-2 (Accounts Receivable, GAPS) is used only if an institution does not use the reimbursement payment method for drawing down Title IV funds. The accounting for the reimbursement method will not be covered here. However, account # 1-2 should be booked as any other account receivable. Each respective subsidiary ledger would also book the receivable.

Summary Chart Of Accounts

GAPS Accounts (Title IV Funds Only, Not Including Direct Loans)

To help in calculating excess cash and interest earnings on Title IV aid funds (Federal Pell Grant, FSEOG, FWS, and Federal Perkins Programs) and, in accordance with cash management regulations issued on December 1, 1994, separate GAPS accounts should be established for Title IV aid funds and for non-Title IV aid funds. In addition, because the Direct Loan Program is not reported on GAPS and uses a separate GAPS account number, its funds would not be included in either of these separate accounts.

1 - Asset Accounts
    1 - 1 Cash Control, GAPS
    1 - 2 Accounts Receivable, GAPS

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts - None*

7 - Expense Accounts - None*

***GAPS is the only case in which income and expense ledgers are not maintained.**

National Finance Center (NFC) Accounts

NFC accounts are needed to reflect amounts of Title IV program funds disallowed after the program authorization account has been closed (removed from GAPS).

1 - Asset Accounts
    1 - 1 Cash Unremitted to NFC
    1 - 2 Due from School

3 - Liability Accounts
    3 - 1 Accounts Payable, NFC

4 - Capital Accounts - None

6 - Income Accounts - None

7 - Expense Accounts - None

Federal Pell Grant Accounts

1 - Asset Accounts
  1 - 1 Cash, Federal Pell Grants

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Revenue Accounts
  6 - 1 Transfer from GAPS - Federal Pell Grants for Students
  6 - 2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA)

7 - Expense Accounts
  7 - 1 Student Grants Paid - Federal Pell Grant
  7 - 2 Administrative Cost Allowance (ACA) Paid to Institution

Federal Supplemental Educational Opportunity Grant (FSEOG) Accounts

1 - Asset Accounts
  1 - 1 Cash, FSEOG

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts
  6 - 1 Transfer from GAPS - FSEOG
  6 - 2 Institution's Cash Contribution
  6 - 3 Institution's Non-Cash Contribution (Memo Account)

7 - Expense Accounts
  7 - 1 Student Grants Paid - FSEOG
  7 - 2 Student Grants - FSEOG from Non-Cash Contribution (Memo Account)
  7 - 3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable)

Federal Work-Study (FWS) Accounts

1 - Asset Accounts
  1 - 1 Cash, Federal Work-Study
  1 - 2 Accounts Receivable, Off-Campus Entities

3 - Liability Accounts
  3 - 1 Federal Income Taxes Withheld
  3 - 2 Social Security Taxes Withheld

- 3 - 3 State Income Taxes Withheld
- 3 - 4 Other Withholdings
- 3 - 5 Accrued Wages Payable
- 3 - 6 Employer's Payroll Taxes Payable

4 - Capital Accounts - None

6 - Income Accounts
- 6 - 1 Transfer from GAPS - Federal Work-Study
- 6 - 2 Institution's Cash Contribution
- 6 - 3 Institution's Non-Cash Contribution (Memo Account)
- 6 - 4 Off-Campus Employer's Contribution, Public/Private Nonprofit Entities
- 6 - 5 Off-Campus Employer's Contribution, Private For-Profit Entities

7 - Expense Accounts
- 7 - 1 Student Wages - On-Campus
- 7 - 2 Student Wages - On-Campus, Non-Cash Contribution for Nonfederal Share (Memo Account)
- 7 - 3 Student Wages - Off-Campus, Public/Private Nonprofit Entities
- 7 - 4 Student Wages - Off-Campus, Private For-Profit Entities
- 7 - 5 Regular Job Location and Development (JLD) Expenses Paid to Institution
- 7 - 6 Administrative Cost Allowance (ACA) Paid to Institution

Federal Perkins Loan Accounts

1 - Asset Accounts
- 1 - 1 Cash, Federal Perkins Loans
- 1 - 2 Funds Advanced to Students*

2 - Asset Reduction Accounts
- 2 - 1 Loan Principal Collected
- 2 - 2 Defaulted Loan Principal - Assigned to Federal Government
- 2 - 3 Loan Principal Cancelled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72
- 2 - 4 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72
- 2 - 5 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72
- 2 - 6 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made 7/1/72 and After
- 2 - 7 Loan Principal Cancelled - Teaching Service (20% Rate), Loans Made 7/1/72 and After

***If the institution tracks funds advanced to students who are out of school, this information may be placed as a footnote to the subsidiary ledger.**

2 - 8 Loan Principal Cancelled - Teaching Service (30% Rate), Loans Made 7/1/72 and After

2 - 9 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After

2 - 10 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After

2 - 11 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After

2 - 12 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made 7/1/72 and After

2 - 13 Loan Principal Cancelled - Death

2 - 14 Loan Principal Cancelled - Disability

2 - 15 Loan Principal Cancelled - Bankruptcy

2 - 16 Loan Principal Cancelled - Peace Corps or VISTA (15% Rate)

2 - 17 Loan Principal Cancelled - Peace Corps or VISTA (20% Rate)

2 - 18 Loan Principal Cancelled - Head Start (15% Rate)

2 - 19 Loan Principal Cancelled - Volunteer Service (15% Rate)

2 - 20 Loan Principal Cancelled - Volunteer Service (20% Rate)

2 - 21 Loan Principal Cancelled - Law Enforcement and Corrections Officer Service (15% Rate)

2 - 22 Loan Principal Cancelled - Law Enforcement and Corrections Officer Service (20% Rate)

2 - 23 Loan Principal Cancelled - Nurse/Medical Technician (15% Rate)

2 - 24 Loan Principal Cancelled - Nurse/Medical Technician (20% Rate)

2 - 25 Loan Principal Cancelled - Nurse/Medical Technician (30% Rate)

2 - 26 Loan Principal Cancelled - Child/Family and Early Intervention Service (15% Rate)

2 - 27 Loan Principal Cancelled - Child/Family and Early Intervention Service (20% Rate)

2 - 28 Loan Principal Cancelled - Child/Family and Early Intervention Service (30% Rate)

2 - 29 Loan Principal Cancelled for Loans Discharged Due to Closed Schools

2 - 30 Loan Principal Adjustments - Other

*Current accounting includes Federal Capital Contributions (FCCs) as a liability rather than as capital since these amounts are to be repaid to the federal government.

3 - Liability Accounts* - None

4 - Capital Accounts

4 - 1	Federal Fund Balance
4 - 2	Institutional Fund Balance

6 - Income Accounts

6 - 1	Funds Transferred from GAPS - Perkins - FCC
6 - 2	Funds Transferred from Institution - Perkins - ICC
6 - 3	Interest Earned on Loans
6 - 4	Other Earnings - Late Charges on Loans Made 7/1/87 and After
6 - 5	Other Earnings - Miscellaneous
6 - 6	Reimbursement of Amounts Cancelled on Loans Made 7/1/72 and After
6 - 7	Repayments to Federal Government
6 - 8	Repayments to Institution

7 - Expense Accounts

7 - 1	Litigation Expenses
7 - 2	Administrative Cost Allowance (ACA) Paid to Institution
7 - 3	Other Collection Expenses
7 - 4	Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made Prior to 7/1/72
7 - 5	Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made 7/1/72 and After
7 - 6	Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made Prior to 7/1/72
7 - 7	Cost of Loan Principal and Interest Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After
7 - 8	Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made 7/1/72 and After
7 - 9	Cost of Loan Principal and Interest Cancelled - Death
7 - 10	Cost of Loan Principal and Interest Cancelled - Disability
7 - 11	Cost of Loan Principal and Interest Cancelled - Bankruptcy
7 - 12	Cost of Loan Principal and Interest Cancelled - Peace Corps or VISTA
7 - 13	Cost of Loan Principal and Interest Cancelled - Head Start
7 - 14	Cost of Loan Principal and Interest Cancelled - Volunteer Service
7 - 15	Cost of Loan Principal and Interest Cancelled - Law Enforcement and Corrections Officer Service

7 - 16 Cost of Loan Principal and Interest Cancelled - Nurse/Medical Technician
7 - 17 Cost of Loan Principal and Interest Cancelled - Child/Family and Early Intervention Service
7 - 18 Cost of Defaulted Loan Principal and Interest Assigned to Federal Government
7 - 19 Other Costs or Losses

William D. Ford Federal Direct Loan (Direct Loan) Accounts

1 - Asset Accounts
  1 - 1 Cash, Direct Loans
  1 - 2 Accounts Receivable, GAPS
  3 Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts
  6 - 1 Income from GAPS - Direct Loans

7 - Expense Accounts
  7 - 1 Funds Advanced to Borrowers

Electronic Funds Transfer (EFT) of Federal Family Education Loan (FFEL) Funds from Lenders to the Institution

1 - Asset Accounts
  1 - 1 Cash, FFEL Account
  1 - 2 Cash, Returned to Lenders
  1 - 3 Cash, Disbursed to Borrowers
  1 - 4 Cash, Interest Earnings

3 - Liability Accounts
  3 - 1 FFEL Trust Account

4 - Capital Accounts - None

6 - Income Accounts
  6 - 1 Interest Earnings from Investment of FFEL Funds

7 - Expense Accounts - None

Reference:

- See Section 4.5 of this book

GAPS Title IV Accounts

1 - 1 Cash Control, GAPS: This account may be a debit or credit balance account depending on the timing of drawdowns and disbursements. It is established to identify the balance of federal cash disbursed to a school through GAPS. The system described here segregates federal cash by using separate accounts for GAPS Title IV-funded programs. These separate GAPS accounts allow reconciliation of funds sent and/or available through GAPS. Separate checking accounts need not be maintained for each program as long as school records indicate precisely where cash was used.

Debit this account for:

- All cash received from GAPS for all Title IV programs, except Direct Loans payment for origination services, Pell Grants ACA reimbursement, or Perkins Loan cancellation reimbursements (contra account # 1-2).
- All unexpended cash on programs when accountability has been transferred to NFC (contra account # 1-2).

Credit this account with:

- All cash transferred to programs.
- Excess cash billings paid to National Finance Center (NFC) (contra account # 1-2).

1 - 2 Accounts Receivable, GAPS: This account can be a debit or credit balance account depending on the timing of disbursements and drawdowns. It represents all amounts due from all open-status GAPS-funded programs.* The debit balance may exist between the time funds are requested from GAPS and the time they are received.

***A different accounting treatment is needed if an institution uses the reimbursement payment method for drawing down Title IV funds.**

Debit this account for:

- Amount of awards disbursed to students and recorded as income transferred from GAPS in each respective Title IV program account.

Credit this account for:

- Cash received from GAPS (contra account # 1-1).
- Any unexpended program balances after accountability has been transferred to NFC (contra account # 1-1).

National Finance Center (NFC) Accounts

1 - 1 Cash Unremitted to NFC: This account is used to reflect that a portion of cash is no longer under GAPS accountability; the accountability has been transferred to the National Finance Center (NFC).

This cash is segregated when a grant's final closing amount is in dispute. Accounting for the funds here reflects a transfer of accountability from GAPS. If more than one program is in dispute, separate subsidiary accounts should be set up for each program. Disallowed expenditures on open, current-year GAPS accounts are recorded by reclassifying those expenditures from the specific program account to institutional accounts and then reinstating that same amount from the Title IV program account to the GAPS account.

Debit this account for:

- Cash received from the institution for disallowed expenditure (contra account # 1-2).
- Interest earnings on Title IV funds that exceed the regulatory threshold (contra account # 3-1).

Credit this account with:

- Amounts remitted to NFC (contra account # 3-1).

1 - 2 Due from School: This debit balance account reflects amounts due from the school as a result of disallowed expenditures on closed accounts not under GAPS accountability.

Debit this account for:

- Billings from NFC for expenditures disallowed by program review or audit, excess cash, and the like (contra account # 3-1).

Credit this account for:

- Cash received from the institution (contra account # 1-1).

3 - 1 Accounts Payable, NFC: This account is normally a credit balance account that reflects any liabilities to NFC as a result of cash accountability separated from GAPS as described earlier *or* disallowed expenditures on programs not under GAPS accountability *or* excess interest earnings returnable to ED through NFC.

Debit this account for:

- Amounts remitted to NFC (contra account # 1-1).

Credit this account with:

- Billings from NFC (contra account # 1-2).
- Interest earnings returnable to NFC (contra account # 1-1).

Federal Pell Grant Accounts

1 - 1 Cash, Federal Pell Grants: All receipts and disbursements of cash related to the Pell Grant Program are recorded in this account. Typically, this account would show a zero balance after each period's entries are posted, as the transfer of funds from GAPS should equal only the amount of grants to be paid immediately to students.

Debit this account for:

- Transfers from GAPS account (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account with:

- Payments to students (contra account # 7-1).

Reference:

- See Section 4.2 of this book

6 - 1 Transfer from GAPS - Federal Pell Grants for Students: This credit balance account controls the transfer of cash from the GAPS account "Cash Control, GAPS" to the Pell Grant account "Cash, Federal Pell Grants." Such cash transfers should be made only in the precise amounts needed immediately to pay grants to students.

Debit this account for:

- Closing entry at end of accounting fiscal year, the total amount of cash transferred from GAPS account to meet disbursement needs for the period (contra account # 7-1).

Credit this account with:

- Cash transferred from GAPS account to meet current disbursement needs (contra account # 1-1).

6 - 2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA): This credit balance account is used to deposit the reimbursements received via electronic funds transfer (EFT) from ED for Pell ACA.

Debit this account for:

- Closing entry at end of accounting fiscal year for the amount of Pell ACA reimbursements (contra account # 7-2).

Credit this account with:

- ACA payments received via EFT from ED (contra account # 1-1).

7 - 1 Student Grants Paid - Federal Pell Grant: This debit balance account is maintained to record payments made to students for Pell Grants.

Debit this account for:

- Grant payments made to students (contra account # 1-1).

Credit this account with:

- Recoveries from recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of grant payments made to students for the accounting period (contra account # 6-1).

7 - 2 Administrative Cost Allowance (ACA) Paid to Institution: This debit balance account is maintained to record payments made to the institution for administrative costs. This amount cannot exceed the amount set by regulations.

Debit this account for:

- ACA paid to the institution (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period (contra account # 6-2).

Federal Supplemental Educational Opportunity Grant (FSEOG) Accounts

1 - 1 Cash, FSEOG: All receipts and disbursements of cash related to the Federal Supplemental Educational Opportunity Grant (FSEOG) Program are recorded in this account. Typically, this account shows a zero balance after each period's entries are posted, as the transfer of funds from GAPS should be only for the amount of grants to be paid to students immediately and for administrative expenses.

Debit this account for:

- Transfers from GAPS account (contra account # 6-1).
- Cash contributions of the institution (contra account # 6-2).

Credit this account with:

- Payments to students (contra account # 7-1).
- Payments to institution for administrative cost allowance (contra account # 7-3).

6 - 1 Transfer from GAPS - FSEOG: This revenue account is maintained to control the transfer of cash from the GAPS account "Cash Control, GAPS" to the FSEOG account "Cash, FSEOG." Such transfers of cash should be made only in the precise amounts needed to pay awards and ACA (if applicable) on a current basis.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra accounts # 7-1, 7-3).

Credit this account with:

- Amounts of cash transferred from the GAPS account to meet the federal share of current FSEOG grants (contra account # 1-1).

6 - 2 Institution's Cash Contribution: This credit balance account is maintained to record cash contributions made by the institution to provide (together with any non-cash contribution) the nonfederal share of FSEOG grants.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the institution to pay its share of current FSEOG grants (contra account # 1-1).

6 - 3 Institution's Non-Cash Contribution (Memo Account): This credit balance account is maintained to record non-cash contributions made by the institution to provide (together with any cash contribution) the required nonfederal share of FSEOG grants.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts as the nonfederal share of FSEOG awards at end of accounting fiscal year (contra account # 7-2).

Credit this account with:

- Non-cash contributions provided from institutional resources to pay the nonfederal share of current FSEOG grants, including payments made directly to students from institutional funds (contra account # 7-2).

Reference:

- See Section 2.9 of this book for information on student master records

7 - 1 Student Grants Paid - FSEOG: This expense account is maintained to help prepare required FSEOG Program reports. If the institution transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of FSEOG grants. The debit balance in this account combined with account # 7-2, before closing, should agree with the sum of the individual award amounts shown in student records as FSEOG grants for the current year.

Debit this account for:

- Payments to students for FSEOG grants (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

7 - 2 Student Grants - FSEOG From Non-Cash Contributions (Memo Account): This expense account is used if the institution makes non-cash contributions and pays students a portion of their FSEOG grants directly from institutional resources.

Debit this account for:

- Payments to students for FSEOG grants from institutional resources (contra account # 6-3).

Credit this account for:

- Closing entry at end of accounting fiscal year (contra account # 6-3).

7 - 3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable): This expense account is used to record ACA as it is paid to the institution. Such payments are limited by regulations and may not be made from FSEOG funds unless students received FSEOG funds during the period.

Debit this account for:

- Payments to institution for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

Federal Work-Study (FWS) Accounts

1 - 1 Cash, Federal Work-Study: All receipts and disbursements of cash related to the Federal Work-Study (FWS) Program are recorded in this account. Any debit balance remaining after payroll payment should consist solely of institutional and/or off-campus employer funds, as federal funds should be transferred from the GAPS Cash Control Account (GAPS account # 1-1) only in the precise amount needed for the federal share of current disbursements.

Reference:

- See Section 4.2 of this book

Debit this account for:

- Federal contributions transferred from GAPS account (contra account # 6-1).
- Cash contributions of the institution (contra account # 6-2).
- Cash payments of off-campus employers (contra account # 1-2).
- Cash paid into fund by the institution for later payment of employer's share of payroll taxes (contra account # 3-6).
- Cash contributions paid by the institution for off-campus employers that have not paid their nonfederal share (contra account # 1-2).

Credit this account with:

- Federal share of on-campus compensation and federal and nonfederal shares of off-campus compensation to students (contra accounts # 3-5, 7-3, 7-4).
- Administrative expenses paid to the institution (contra account # 7-6).
- Refund of contribution to the institution (contra account # 6-2).
- Refund of contribution to off-campus employers (contra account # 1-2).
- Payment for compensation withheld (contra accounts # 3-1, 3-2, 3-3, 3-4).

- Payment of employer's payroll taxes (contra account # 3-6).
- Job Location and Development Program expenses paid to the institution (contra account # 7-5).

1 - 2 Accounts Receivable, Off-Campus Entities: This account is used to record the amounts due from off-campus employers for the nonfederal share of student wages. Separate subsidiary accounts should be set up for each off-campus entity.

Debit this account for:

- Amounts to be provided by off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra accounts # 6-4, 6-5).
- Refunds to off-campus employers of excess cash contributions (contra account # 1-1).

Credit this account for:

- Cash paid by off-campus employers (contra account # 1-1).
- Cash paid by institution for off-campus employers that have not paid their nonfederal share (contra account # 1-1).

3 - 1 Federal Income Taxes Withheld

*3 - 2 Social Security Taxes Withheld**

3 - 3 State Income Taxes Withheld

3 - 4 Other Withholdings

***Both half-time and full-time students working in FWS jobs do not need to pay FICA if they are employed on campus.**

If withholding is necessary, these accounts are used to record the tax amounts withheld from the pay of students employed under the Federal Work-Study Program.

Debit these accounts for:

- Taxes paid to the appropriate agency for federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra account # 1-1).

Credit these accounts with:

- Amounts withheld from students' pay for payment of federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra accounts # 7-1, 7-3, 7-4).

3 - 5 Accrued Wages Payable: This account is used to accumulate student wages earned but not paid by the end of a report period. This is necessary because the Federal Work-Study portion of the FISAP report requires compensation earned during the reporting period to be reported, regardless of when it is paid. The drawdown of cash from the GAPS Cash Control Account is on a cash basis, and funds are not drawn down until accrued wages have actually been disbursed (paid).

Debit this account for:

- Amounts of gross compensation earned in the previous reporting period and paid during the current period (contra account # 1-1).

Credit this account with:

- Gross compensation earned, but not yet paid at the end of the reporting period (contra accounts # 7-1, 7-2, 7-3, 7-4).

3 - 6 Employer's Payroll Taxes Payable: This credit balance account is maintained to record the amount of payments due by the institution for the employer's share of payroll taxes on accounts of students employed under the Federal Work-Study Program. Federal Work-Study funds may not be used to pay any portion of such taxes. At some schools, the employer's share of payroll taxes is handled directly from the general fund, and off-campus employers' payments for their share of payroll taxes are reimbursed to the general fund rather than transferring the amount into the FWS fund. In this case, account # 3-6 would not be needed in the FWS set of accounts.

Debit this account for:

- Amounts of payroll taxes paid (contra account # 1-1).

Credit this account with:

- Amounts of payroll taxes payable from cash amounts transferred by the institution or off-campus employers to pay their share of payroll taxes (contra account # 1-1).

Note: A student may be exempt from tax withholding while enrolled. However, if the student is employed between terms or in the summer, when the student is not enrolled, withholding must be made.

Reference:

- See Section 4.2 of this book

6 - 1 Transfer from GAPS - Federal Work-Study: This credit balance account controls the transfer of cash from the GAPS account, "Cash Control, GAPS" to the FWS account, "Cash, Federal Work-Study." Such transfers of cash should be made only in the precise amounts needed for the federal share of current payroll, plus administrative expenses and Job Location and Development Program expenses. No transfer of cash should occur until the federal share of the currently payable payroll has been calculated.

Debit this account for:

- The federal share of wages earned (contra accounts # 7-1, 7-3, 7-4).
- Administrative expenses paid to the institution (contra account # 7-6).
- Job Location and Development Program expenses paid to the institution (contra account # 7-5).

Credit this account with:

- Amounts of cash transferred from the GAPS account "Cash Control, GAPS" to meet current disbursement needs (contra account # 1-1).

6 - 2 Institution's Cash Contribution: This credit balance account is used only if the institution transfers cash to provide the required percent of the nonfederal share of student wages on campus, then pays both the federal share and nonfederal shares of campus wages from these accounts.

Debit this account for:

- Refund to the institution of excess cash advances (contra account # 1-1).
- Closing entry, the nonfederal share (that is, the share for which Federal Work-Study funds are not available) of cash wages paid to students employed on campus (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the institution to pay its share of on-campus student wages (contra account # 1-1).

6 - 3 Institution's Non-Cash Contribution (Memo Account): This credit balance account records the amount of wages "paid" to students by the institution through tuition rebates and other such non-cash means, as well as amounts paid directly to students from institutional funds.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts made by the institution during the reporting period as its share of on-campus student wages (contra account # 7-2).

Credit this account with:

- Each pay period, the cash value of all tuition rebates or similar credits to student accounts and amounts paid to students directly by the institution as its share of on-campus student wages (contra account # 7-2).

6 - 4 Off-Campus Employer's Contribution, Public/Private Nonprofit Entities

6 - 5 Off-Campus Employer's Contribution, Private For-Profit Entities

These credit balance accounts are maintained to record contributions due from off-campus employers to provide the required percent (or more) of the nonfederal share of student wages earned off campus.

Debit these accounts for:

- Closing entry, nonfederal share (that is, the share for which Federal Work-Study funds are not available) of wages paid to students employed off campus (contra accounts # 7-3, 7-4).

Credit these accounts with:

- Amounts to be provided by off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra account # 1-2).

7 - 1 Student Wages - On-Campus: This expense account is maintained to record the federal share of Federal Work-Study wages. If the institution transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of wages. This account may be further subdivided into categories such as instruction, research, public service, and so on, to facilitate nonfederal functional reporting.

Debit this account for:

- The federal share of wages earned by students in on-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 1-1, 3-1, 3-2, 3-3, 3-4, 3-5).

Credit this account with:

- As a closing entry, the federal share of wages earned on campus (contra account # 6-1).

7 - 2 Student Wages - On-Campus, Non-Cash Contribution for Nonfederal Share (Memo Account): This expense account is maintained to record the nonfederal share of student wages paid from the institution's funds or through tuition rebates or similar credits.

Debit this account for:

- The nonfederal share of wages earned by students in on-campus employment and paid directly from the institution's funds (contra account # 6-3).
- The nonfederal share of wages "paid" to students through tuition rebates and other non-cash means (contra account # 6-3).

Credit this account for:

- As a closing entry, the nonfederal share of wages earned on campus (contra account # 6-3).

7 - 3 Student Wages - Off-Campus, Public/Private Nonprofit Entities

7 - 4 Student Wages - Off-Campus, Private For-Profit Entities

These expense accounts are maintained to help prepare required Federal Work-Study Program reports.

Debit these accounts for:

- Gross amount of wages earned by students in off-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 3-1, 3-2, 3-3, 3-4, 3-5).

Credit these accounts with:

- Closing entry for the nonfederal share of wages earned off campus (contra accounts # 6-4, 6-5).
- The federal share of wages earned off campus (contra account # 6-1).

7 - 5 Regular Job Location and Development (JLD) Expenses Paid to Institution: This expense account is maintained to record payments made to the institution for Job Location and Development Program expenses. This amount cannot exceed the lesser of $50,000 or 10 percent of the institution's Federal Work-Study (FWS) authorization for the award year to locate and develop off-campus jobs, including community-service jobs. Jobs located or developed under the program may be for either a for-profit or nonprofit employer. A school is not allowed to use its JLD allocation to locate on-campus service jobs. The federal funds that a school sets aside from its FWS allocation to be used for JLD activities may be used to pay up to 80 percent of allowable costs. The school must provide the remaining 20 percent of allowable costs, either in cash or services.

Debit this account for:

- Amounts paid to the institution (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the amounts paid to the institution during the reporting period (contra account # 6-1).

Reference:

- See Section 3.3 of this book

7 - 6 Administrative Cost Allowance (ACA) Paid to Institution: This expense account is maintained to record payments made to the institution in reimbursement for administrative expenses. Such payments to the institution have totals limited by regulations, and they may not be made from FWS funds unless students earned FWS wages during the period.

Debit this account for:

- Payments to institution for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the total amount paid to the institution during the reporting period (contra account # 6-1).

Federal Perkins Loan Accounts

1 - 1 Cash, Federal Perkins Loans: This is a debit balance account that shows the total cash available.

Debit this account for:

- Federal Capital Contributions (FCCs) as transferred from GAPS cash (contra account # 6-1).
- Institutional Capital Contributions (ICCs) as transferred from institutional cash (contra account # 6-2).
- Refunds of amounts advanced to students (contra account # 1-2).
- Collections of loan principal from borrowers (contra account # 2-1).

- Collections of loan interest from borrowers (contra account # 6-3).
- Collections of late charges assessed (contra account # 6-4).
- Collections of penalty charges assessed (contra account # 6-5).
- Other income (contra account # 6-5).
- Reimbursements from the U.S. government on loan cancellations (contra account # 6-6).
- Repayments from borrowers for litigation expenses (contra account # 7-1).
- Collections of borrower-paid collection costs from gross-remittance collection agencies (contra account # 7-3).

Credit this account with:

- Advances to students (contra account # 1-2).
- Overpayments refunded to borrowers (contra account # 2-1).
- Reversals of payments made by returned check (contra accounts # 2-1, 6-3, 6-4, 6-5, 7-3).
- Repayments of capital to the U.S. government (contra account # 6-7).
- Repayments of capital to the institution (contra account # 6-8).
- Withdrawals of late charges payable to the institution (contra account # 6-4).
- Withdrawals to pay litigation expenses (contra account # 7-1).
- Withdrawals for administrative cost allowance (contra account # 7-2).
- Withdrawals to pay collection costs to gross-remittance collection agencies (contra account # 7-3).
- Withdrawals to pay other collection expenses (contra account # 7-3).

Reference:

- See Section 2.9 of this book

1 - 2 Funds Advanced to Students: This debit balance account is a control account for advances to borrowers. The total of the amounts shown as advances on individual student master records for all students should be reconciled to the balance in this account at the end of each month.

Debit this account for:

- The amount advanced to borrowers (contra account # 1-1).

Credit this account with:

- Any return of advances made (contra account # 1-1).

2 - 1 Loan Principal Collected: This is a credit balance account maintained to show the total amount of loan principal collected since the beginning of the program.

Debit this account for:

- The principal amount of returned checks (contra account # 1-1).
- Overpayments refunded to borrowers (contra account # 1-1).

Credit this account with:

- The amount of cash collections related to loan principal (contra account # 1-1).
- Reclassification of the amount of interest paid that is subsequently cancelled (contra account # 2-1).

2 - 2 Defaulted Loan Principal - Assigned to Federal Government: This credit balance account is maintained to show the cumulative amount of defaulted loan principal assigned to and accepted by the U.S. government.

Debit this account for:

- No entries, except for correcting errors.

Credit this account with:

- The amount of loan principal assigned to and accepted by the U.S. government on loans in default (contra account # 7-18).

2 - 3 Loan Principal Cancelled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72

2 - 4 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72

2 - 5 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72

Accounts # 2-3, 2-4, and 2-5 may be merged and maintained as one account titled "Loan Principal Cancelled - Loans Made Prior to 7/1/72."

2 - 6 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made 7/1/72 and After

2 - 7 Loan Principal Cancelled - Teaching Service (20% Rate), Loans Made 7/1/72 and After

2 - 8 Loan Principal Cancelled - Teaching Service (30% Rate), Loans Made 7/1/72 and After

2 - 9 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After

2 - 10 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After

2 - 11 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After

2 - 12 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made 7/1/72 and After

2 - 13 Loan Principal Cancelled - Death

2 - 14 Loan Principal Cancelled - Disability

Accounts # 2-13 and 2-14 may be merged and maintained as one account titled "Loan Principal Cancelled - Death or Disability."

Reference:

- See Section 5.3 of this book

All other cancelled-loan entries are similar and are not shown here. Refer to the chart of accounts for the other cancellation accounts.

These separate cancellation accounts are maintained to show the cumulative amounts of loan principal cancelled under the provisions of the law.

Debit these accounts for:

- No entries, except for correcting errors.

Credit these accounts with:

- Amounts of each appropriate category of loan principal cancelled under the provisions of the law (contra accounts # 7-4 through 7-17).

2 - 29 Loan Principal Adjustments - Other: This is a credit balance account maintained to show the cumulative total amount of loan principal lost because of other reasons (such as write-offs) as specified by ED. Each credit entry to this account should be adequately labeled to identify the reason for the adjustment.

Debit this account for:

- No entries, except for correcting errors.

Credit this account with:

- Amount of loan principal lost because of other approved reasons (write-offs) (contra account # 7-19).

4 - 1 Federal Fund Balance: This is a credit balance account maintained to show the federal share of the fund balance.

This account should always show a credit balance for the federal share of income and expenses since the school began participating in the program.

Credit this account with:

- Closing entry at end of accounting fiscal year (federal share of contra accounts # 6-1, 6-3 through 6-7, 7-1 through 7-19).

4 - 2 Institutional Fund Balance: This credit balance account is maintained to show the institutional share of the fund balance. This account should always show a credit balance for the institutional share of income and expenses since the school began participating in the program.

Credit this account with:

- Closing entry at end of accounting fiscal year (institutional share of contra accounts # 6-2 through 6-6, 6-8 through 7-19).

6 - 1 Funds Transferred from GAPS - Perkins - FCC: This debit balance account is maintained to track the total FCC transferred to the Perkins Loan fund from the GAPS cash control account.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 4-1).

Credit this account with:

- Transfer from GAPS - FCC (contra account # 1-1).

6 - 2 Funds Transferred from Institution - Perkins - ICC: This debit balance account is maintained to track the total ICC transferred to the Perkins Loan fund from the institution.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 4-2).

Credit this account with:

- Mandatory transfers of the institution's matching share of the Perkins Loan allocation. This is one-third ($33^1/_3$ percent) of the FCC amount *or* one-quarter (25 percent) of the combined FCC *plus* ICC (contra account # 1-1).

6 - 3 Interest Earned on Loans: This credit balance account is maintained to show the total interest that has been collected or has been cancelled because of teaching service, military service, death, or any other authorized cancellation. It also includes interest from loans assigned to ED.

Debit this account for:

- The interest amount of returned checks and correction of errors (contra account # 1-1).
- Reclassification of the interest amount paid that is subsequently cancelled (contra account # 2 -1).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- The amount of loan interest collected (contra account # 1-1).
- The amount of loan interest cancelled for teaching service (contra accounts # 7-4, 7-5).

- The amount of loan interest cancelled for Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After (contra account # 7-7).
- The amount of loan interest cancelled for military service (contra accounts # 7-6, 7-8).
- The amount of loan interest cancelled for death (contra account # 7-9).
- The amount of loan interest cancelled for disability (contra account # 7-10).
- The amount of loan interest cancelled for bankruptcy (contra account # 7-11).
- The amount of loan interest cancelled for Peace Corps or VISTA (contra account # 7-12).
- The amount of loan interest cancelled for Head Start (contra account # 7-13).
- The amount of loan interest cancelled for Volunteer Service (contra account # 7-14).
- The amount of loan interest cancelled for Law Enforcement and Corrections Officer (contra account # 7-15).
- The amount of loan interest cancelled for Nurse/Medical Technician (contra account # 7-16).
- The amount of loan interest cancelled for Child/Family and Early Intervention Service (contra account # 7-17).
- The amount of loan interest related to defaulted loans assigned to the U.S. government (contra account # 7-18).
- The amount of loan interest written off for other costs or losses (specify) (contra account # 7-19).

6 - 4 Other Earnings - Late Charges on Loans Made 7/1/87 and After: This credit balance account is maintained to show the earnings of the fund due to late charges assessed on loans made after 7/1/87.

Debit this account for:

- Late charge amounts reimbursed to the institution (contra account # 1-1).

- Late charge amounts of returned checks (contra account # 1-1).
- Late charge amounts for correcting errors.
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Late charges assessed and collected (contra account # 1-1).
- Amounts reimbursed by the institution for the late charge portion of returned checks (contra account # 1-1).
- Late charges accrued and written off (contra account # 7-18).

Reference:

- See Section 4.5 of this book

6 - 5 Other Earnings - Miscellaneous: This credit balance account is maintained to show the earnings of the fund (other than interest on student loans or late charges assessed on loans made 1/1/86 and after), such as penalty charges on loans made 12/31/85 and before, and interest earned on fund cash balances. As it will be necessary to report separately on each type of earnings (penalty charges, interest, earnings, and so on), a subsidiary ledger account for each type of earnings is desirable. There may be periods when slack demand for loans, coupled with funds received for collection activities, might produce a temporary excess cash balance in the Perkins Loan fund; as a result, institutions are now required to maintain fund balances in insured interest-bearing accounts.

Debit this account for:

- Penalty charges for returned checks (contra account # 1-1).
- Correcting errors.
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Penalty charges assessed and collected (contra account # 1-1).
- Interest earned on fund cash (contra account # 1-1).
- Any other earnings of the fund (contra account # 1-1).
- Penalty charges accrued and written off (contra account # 7-19).

6 - 6 Reimbursement of Amounts Cancelled on Loans Made 7/1/72 and After: This credit balance account is maintained to show the amounts received from the U.S. government as a result of reimbursements on loans cancelled for teaching (Head Start) and military service on loans made 7/1/72 and after, for Peace Corps or VISTA service for loans made after 6/30/87, for employment in law enforcement or as a corrections officer for loans made on or after 11/29/90, and for all cancellations authorized by the 1992 reauthorization of the Higher Education Act (HEA).

Debit this account for:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Amounts received from the U.S. government for reimbursement of the aggregate amount of institutional funds plus federal funds cancelled due to any of the authorized cancellation provisions (contra account # 1-1).

6 - 7 Repayments to Federal Government: This debit balance account is maintained to show the total distribution of fund capital in case of partial dissolution of the Perkins Loan fund.

Debit this account for:

- Amount of the appropriate FCC repaid in partial dissolution of the fund (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 4-1).

6 - 8 Repayments to Institution: This debit balance account is maintained to show the total distribution of fund capital in case of partial dissolution of the Perkins Loan fund and to show when an institution withdraws an overmatch.

Debit this account for:

- Amount of the appropriate ICC repaid in partial dissolution of the fund (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 4-2).

7 - 1 Litigation Expenses: This is a debit balance account maintained to show the net amount paid for litigation arising in connection with Federal Perkins Loans.

Debit this account for:

- Amounts paid for litigation expenses (contra account # 1-1).

Credit this account with:

- Amounts collected from borrowers repaying litigation expenses (contra account # 1-1).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Reference:

- See Section 3.3 of this book

7 - 2 Administrative Cost Allowance (ACA) Paid to Institution: This is a debit balance account maintained to show the amount of administrative expenses charged to the fund rather than reimbursement to the institution by ED. Such payments to the institution are limited in total by regulations and may not be made from the Perkins Loan fund unless students receive advances of Perkins Loan funds during the award period.

Debit this account for:

- Amounts charged to the fund as authorized administrative cost allowance (ACA) (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 3 Other Collection Expenses: This is a debit balance account maintained to show the net amount charged to the fund for collection expenses other than costs of litigation, such as commissions (as approved by the U.S. Secretary of Education) paid to a collection agency.

Debit this account for:

- Amounts authorized to be charged to the fund as other collection expenses (contra accounts # 1-1 or 2-1).

- Amount of borrower-paid collection cost portion of returned checks (contra account # 1-1).

Credit this account with:

- Amounts collected from borrowers repaying costs of collection other than litigation expenses (contra account # 1-1).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 4 Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made Prior to 7/1/72

7 - 5 Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made 7/1/72 and After

These debit balance accounts are maintained to show the total cost of loan cancellations for teaching service.

Debit these accounts for:

- Amounts of total principal and interest cancelled for teaching service (contra accounts # 2-3, 2-4, 2-6, 2-7, 2-8, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 6 Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made Prior to 7/1/72

7 - 7 Cost of Loan Principal and Interest Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After

These debit balance accounts are maintained to show the total cost of loan cancellations for military and teaching service.

Debit these accounts for:

- Amounts of total principal and interest cancelled for these specific service areas (contra accounts # 2-5, 2-9, 2-10, 2-11, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 8 Cost of Loan Principal and Interest Cancelled - Military Service 7/1/72 and After

These debit balance accounts are maintained to show the total cost of loan cancellations for military service.

Debit these accounts for:

- Amounts of total principal and interest cancelled for military service (contra accounts # 2-12, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 9 Cost of Loan Principal and Interest Cancelled - Death: This is a debit balance account maintained to show the total cost of loan cancellations for death.

Debit this account for:

- Amounts of total principal and interest cancelled for death (contra accounts # 2-13, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 10 Cost of Loan Principal and Interest Cancelled - Disability: This is a debit balance account maintained to show the total cost of loan cancellations for disability.

Debit this account for:

- Amounts of total principal and interest cancelled for disability (contra accounts # 2-14, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 11 Cost of Loan Principal and Interest Cancelled - Bankruptcy: This is a debit balance account maintained to show the total cost of loan cancellations for bankruptcy.

Debit this account for:

- Amounts of total principal and interest cancelled for bankruptcy (contra accounts # 2-15, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 12 Cost of Loan Principal and Interest Cancelled - Peace Corps or VISTA: This is a debit balance account to show the total cost of principal and interest cancelled for service in the Peace Corps or VISTA for loans made after June 30, 1987.

Debit this account for:

- Amounts of total principal and interest cancelled for service in the Peace Corps or VISTA (contra accounts # 2-16, 2-17, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 13 Cost of Loan Principal and Interest Cancelled - Head Start: This is a debit balance account to show the total cost of principal and interest cancelled for the Head Start Program.

Debit this account for:

- Amounts of total principal and interest cancelled for the Head Start Program (contra accounts # 2-18, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 14 Cost of Loan Principal and Interest Cancelled - Volunteer Service: This is a debit balance account to show the total cost of principal and interest cancelled for volunteer service.

Debit this account for:

- Amounts of total principal and interest cancelled for volunteer service (contra accounts # 2-19, 2-20, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 15 Cost of Loan Principal and Interest Cancelled - Law Enforcement and Corrections Officer: This is a debit balance account to show the total cost of principal and interest cancelled for borrowers employed in law enforcement or corrections.

Debit this account for:

- Amounts of total principal and interest cancelled for a borrower's employment as a law-enforcement or corrections officer (contra accounts # 2-21, 2-22, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 16 Cost of Loan Principal and Interest Cancelled - Nurse/Medical Technician: This is a debit balance account to show the total cost of principal and interest cancelled for a borrower's employment as a nurse or medical technician.

Debit this account for:

- Amounts of total principal and interest cancelled for a borrower's employment as a nurse or medical technician (contra accounts # 2-23, 2-24, 2-25, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 17 Cost of Loan Principal and Interest Cancelled - Child/Family and Early Intervention Service: This is a debit balance account to show the total cost of principal and interest cancelled for a borrower's employment in a child/family or early intervention service.

Debit this account for:

- Amounts of total principal and interest cancelled for the child/family or early intervention service (contra accounts # 2-26, 2-27, 2-28, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 18 Cost of Defaulted Loan Principal and Interest Assigned to Federal Government: This is a debit balance account maintained to show the total cost of defaulted loans assigned to, and accepted by, the U.S. government.

Debit this account for:

- Amounts of total principal and interest related to defaulted loans assigned to the U.S. government (contra accounts # 2-2, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 19 Other Costs or Losses: This is a debit balance account maintained to show the total amount of other costs or losses. Any entries to this account, such as accounts written off, should have full documentation of the reasons. In some cases, approval by the U.S. Secretary of Education must be included as part of the documentation.

Debit this account for:

- Amounts of total principal, interest, penalty, and late charges written off because of other costs or losses. The reason for the write-off should be specified for easy identification in the account (contra accounts # 2-29, 6-3, 6-4, 6-5).

Credit this account with:

- Amounts of previous write-offs reversed due to collection (contra accounts # 2-29, 6-3, 6-4, 6-5).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

William D. Ford Federal Direct Loan Accounts

1 - 1 Cash, Direct Loans: All receipts and disbursements of cash related to the Direct Loan Program are recorded in this account.

Debit this account for:

- Transfers from GAPS accounts (contra account # 6-1).

- Recoveries from recipients (contra account # 7-1).

Credit this account for:

- Payments to students (contra account # 7-1).
- Return of excess cash to Direct Loan Servicing Center or to ED via FEDWIRE (contra account # 6-1).

1 - 2 Accounts Receivable, GAPS: This debit balance account controls the transfer of cash directly from the GAPS account established for Direct Loans.

Debit this account for:

- Amounts due from GAPS for disbursement needs for the period (contra account # 6-1).
- Return of excess cash (contra account # 1-1).

Credit this account with:

- Cash transferred directly from the GAPS account (contra account # 1-1).

6 - 1 Income from GAPS - Direct Loans: This credit balance account reflects the income from the Direct Loan Program. This amount is not a transfer from the GAPS account referred to in section 5.3. These separate accounts allow for reconciliation with the institution's records as part of the Direct Loan reconciliation process.

Debit this account for:

- Closing entry at end of accounting fiscal year, the income from GAPS to meet disbursement needs for the period (contra accounts # 7-1, 7-2).

Credit this account with:

- Income from GAPS recorded to meet current disbursement needs (contra account # 1-2).

6 - 2 Federal Reimbursement of Direct Loan Origination Services Costs: This credit balance account is maintained to record the reimbursements from ED for origination services costs. Currently, funds come directly to the institution via ACH/EFT and are deposited directly to the institution's bank account. This amount is set by law.

Debit this account for:

- Closing entry at end of the accounting period (contra account # 7-2).

Credit this account with:

- ACH/EFT payments for ED for origination services costs (contra account # 1-1).

7 - 1 Funds Advanced to Borrowers: This debit balance account is maintained to record payments made to students or parents for loans. This account may be further subdivided to separate disbursements for PLUS, subsidized, and unsubsidized loans.

Debit this account for:

- Loan payments made to students or students' parents (contra account # 1-1).

Credit this account with:

- Recoveries from loan recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of loan disbursements made to students or students' parents for the accounting period (contra account # 6-1).

Accounting Practices for EFT: Federal Family Education Loan (FFEL) Program

1 - 1 Cash, FFEL Account: All receipts and disbursements of Federal Family Education Loan (FFEL) funds are recorded in this account. These funds are not part of the GAPS system, as the funds come directly from lenders to the institution by lenders' EFT systems.

- Debit - Cash received from lenders (contra account # 3-1).

1 - 2 Cash Returned to Lenders: This account is used to account for funds returned to lenders and is separate from funds disbursed to students.

- Credit - Cash returned to lenders (contra account # 3-1).

1 - 3 Cash Disbursed to Borrowers: This account shows funds actually disbursed to students or parents for loans.

- Credit - Cash disbursed to borrowers (contra account # 3-1).

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1 - 4 Cash - Interest Earnings: This account may be used to record interest earnings from investing the float on FFEL funds. Institutions may decide to deposit the interest earnings directly into an operating account.

- Debit - For interest earned (contra account # 6-1).
- Credit - Interest earnings from investment of FFEL funds transferred to the institution (contra account # 6-1).

3 - 1 FFEL Trust Account: This account is used to record funds that the institution holds for borrowers.

- Debit - Funds disbursed to borrowers or returned to lenders (contra accounts # 1-2 or 1-3).
- Credit - Funds received from lenders (contra account # 1-1).

6 - 1 Interest Earnings from Investment of FFEL Funds: The institution must closely adhere to required time frames for disbursing funds and returning undisbursed funds.

- Debit - Cash, interest earnings transferred to the institution (contra account # 1-4).
- Credit - Interest earnings from investment of FFEL funds (contra account # 1-4).

5.4 Internal Control: Checks and Balances

To participate in federally funded student financial aid programs, an institution must be able to demonstrate that adequate checks and balances are in place in its system of internal control. A system of internal control should, at a minimum, include:

- separating the functions of authorizing and disbursing Title IV program funds;
- taking a trial balance (to determine whether accounts are in balance);
- reconciling cash (a reconciliation between book and bank balances for cash); and
- reconciling federal funds (a reconciliation between bank accounts and federally reported balances for cash).
- maintaining adequate Electronic Data Processing (EDP) Controls

Reference:

- See Section 2.4 of this book

Separation of Functions

The institution should use its internal or external auditors to periodically verify that the systems of checks and balances have been properly designed and are being followed routinely.

To be effective, taking a trial balance should be performed at least monthly and reconciling cash should be performed when bank statements are received or at least monthly. All Federal Work-Study, Federal Perkins Loan, and Direct Loan accounts are required to be reconciled monthly.

A further control in the system is the requirement that the institution maintain documentation to show that aid was appropriately applied to institutional charges and that remaining aid was delivered to the student.

According to regulations, institutions must separate the functions of authorizing payment of and disbursing Title IV funds. Separation of functions is a fundamental control concept in financial aid administration. The financial aid administrator (or office) is charged with the responsibility for authorizing disbursement by awarding aid through the need analysis and packaging processes. The awarded-aid information is then turned over to a business officer (or office) who, in turn, is responsible for disbursing the aid by applying it to institutional charges and/or delivering it to students.

There should be a segregation of functions that provides that the person within the institution who reconciles cash and reconciles federal funds does not also receive cash or perform disbursement functions. The person performing reconciliations should receive bank statements and Direct Loan reconciliation reports directly from the respective sources. Supervisory approval of the completed reconciliations should be obtained and evidenced on the forms.

Trial Balance

A trial balance is the confirmation that debit and credit balances are equal. A trial balance for federal student financial aid programs is a confirmation that accounts receivable, program expenditures, and the cash balance equal the amount authorized.

A trial balance worksheet for federal student financial aid programs appears on pages 5-50 and 5-51.

Reconciliation of Cash

Because cash is more susceptible to manipulation than other assets, multiple checks and balances are necessary for effective internal control of cash.

Reconciliation of cash is a confirmation that the cash amount shown in accounting records is in agreement with the amount reflected in the bank statement. Differences between accounting records and the bank statement balance can be caused by timing variances, errors, or unrecorded entries. The reconciliation process can lead to adjusting entries for:

- bank service charges;
- non-sufficient funds (NSF) checks;
- debit and/or credit memoranda; and
- error corrections.

Reconciliation also provides a means for identifying and correcting these errors. The person performing the reconciliation should be trained to recognize and report possible sources of errors:

- delays in deposit;
- checks outstanding for long periods of time;
- irregularities in transfers and adjustments; and
- deviations with cancelled checks (payee, signature, or endorsement).

The prompt and thorough performance of cash reconciliation duties enhances the system of internal control.

Beginning on page 5-52, there is a worksheet that can be used, on a monthly basis, to reconcile cash for federal student financial aid programs. If an institution maintains separate bank accounts for each program, this process should be performed for each program.

Reconciliation of Federal Funds

Reconciliation of federal funds is a balancing of funds received from the beginning of a school's participation in a program to the totals currently recorded in the school's accounts. In addition, the reconciliation process should check reported expenditures among the trial balance report, GAPS, FISAP, Direct Loan reconciliation report, and the audit report. Differences among these records should be resolved.

One of the purposes of an audit is to check that all reconciliations have been performed. Institutions should not view the audit as a time to perform reconciliations.

The form on page 5-53 can be used to reconcile federal funds.

Monthly Direct Loan Reconciliation

When an institution initially signs up to participate in the Direct Loan Program, it must decide the "as-of-date" each month that the institution will use to reconcile loan records with the Direct Loan Origination Center (LOC). Reconciliation must be performed each month using the same "as-of-date." In the Direct Loan Program, there are two types of transactions to be reconciled:

- cash transactions and
- loan transactions that affect cash.

With cash transactions, the institution must reconcile cash drawdowns and returns of excess cash with the LOC. The reconciliation requires that the institution's financial accounting system and other systems, such as the student account receivable system, financial aid system, and the Direct Loan system, all be reconciled.

Loan transactions that have affected cash disbursements and adjustments are also matched with the LOC. The loan transaction process is actually a data-verifying and editing process, primarily between the school's Direct Loan system and LOC records. This process matches disbursements and adjustments to the LOC files.

The institution receives a monthly report, the Direct Loan School Account Statement (DLSAS), from the LOC indicating which loans are reconciled and which loans are not reconciled. The report provides error messages indicating the reason the loan records are not reconciled. To be reconciled, a loan must be "booked." That is, the Direct Loan Servicing Center (DLSC) must have received and accepted a loan origination record; the borrower must have signed a promissory note, and the LOC must have accepted the promissory note; and a first disbursement record must have been transmitted and accepted by the LOC). If a loan is not booked, it will not reconcile. Normally, unreconciled items result from timing errors, such as a batch of loan data that was not included in a month-end close or a batch of loan data that was shipped to the DLSC at the end of the month and rejected. The institution's reports from the Direct Loan software and DLSC reports are used to compare the data in the two systems.

New

Electronic Data Processing (EDP) Controls

Electronic Data Processing (EDP) controls ensure the integrity and reliability of data. EDP controls encompass:

- operating procedures,
- software security,

- data access,
- program modification,
- segregation of computer security duties and responsibilities,
- backup and recovery plans, and
- physical computer security.

Specific EDP security controls should include the following:

- written security policies and procedures for the proper operation of information systems down to the user level;
- issuing unique user IDs and passwords to each employee to ensure individual user accountability;
- granting appropriate levels of access to staff who need access and limit that access to only the functions necessary to perform assigned duties;
- informing authorized users of proper system use and have users acknowledge their responsibilities by signing their name to an acknowledgement statement;
- adequate software security controls and audit capability to actively monitor and record user and system activity that is sufficient enough to indicate or detect possible misuse, abuse, or unauthorized activity on the system; *and*
- adequate provisions for system and file back-up, contingency, disaster recovery, and business resumption.

Other Checks and Balances

There are a number of other types of checks and balances that can be built into a system administering student financial aid. Some important types are:

- input controls,
- subsidiary records reconciliation, and
- a clear audit trail.

Input Controls: As input transactions are being entered into a school's financial aid system, a record of the number of entries and the dollar amount of entries should be recorded. This type of batch control is necessary whether manual or automated systems are involved. After all updates for a processing cycle have been completed, the updated totals should be checked to ensure that all batches (entries) have been entered. This type of control serves two purposes: It ensures that batches are not lost, and it provides control against unauthorized transactions being entered into the system.

Subsidiary Records Reconciliation: All accounts should be backed up by subsidiary ledger detail. Although taking a trial balance can be used to ensure that all accounts balance in the aggregate, it does not guarantee that there is sufficient evidence that subsidiary records exist to support the totals in each account. Errors can exist when changes or corrections are made to control accounts without corresponding adjustments being made to subsidiary records. Reconciliations between accounts and subsidiary records detail should be performed at least monthly and should be conducted on a more frequent basis during periods of high transaction volume. As mentioned earlier, most Title IV programs require monthly reconciliations.

Clear Audit Trail: A key element in any system of checks and balances is maintaining a clear (easily followed) audit trail. Records of all transactions entered into the system must be maintained. Adequate documentation requires proper approval of all transactions, a record of who was responsible for entering the transaction, when the transaction was prepared and posted, and a complete record of the transaction itself.

Trial Balance Worksheet for Title IV Programs

Balance as of __________

Account Names	*Debit*	*Credit*
GAPS		
Cash Control, GAPS*		xxxxx
Accounts Receivable, GAPS	xxxxx	
	-----	-----
Total, GAPS	xxxxx	xxxxx
	====	====
NFC Accounts		
Cash Unremitted to NFC	xxxxx	
Due from School	xxxxx	
Accounts Payable, NFC		xxxxx
Total, NFC	xxxxx	xxxxx
	====	====
Federal Pell Grant Program		
Cash, Federal Pell Grants	xxxxx	
Transfer from GAPS		xxxxx
Federal Reimbursement of Pell Administrative Cost Allowance		xxxxx
Student Grants Paid	xxxxx	
Pell Administrative Cost Allowance Paid to Institution	xxxxx	
Total, Federal Pell Grant Program	xxxxx	xxxxx
	====	====
Federal Supplemental Education Opportunity Grant (FSEOG) Program		
Cash, FSEOG	xxxxx	
Transfer from GAPS		xxxxx
Institution's Cash Contribution		xxxxx
Institution's Non-Cash Contribution (Memo Account)		xxxxx
FSEOG Grants Paid	xxxxx	
FSEOG from Non-Cash Contribution (Memo Account)	xxxxx	
FSEOG Administrative Cost Allowance Paid to Institution	xxxxx	
Total, FSEOG Program	xxxxx	xxxxx
	====	====

(continued next page)

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*The cash-control account will have a credit balance if the drawdown amount is less than the disbursed amount. The cash control account may have a debit balance if the drawdown amount exceeds the disbursed amount. Both of these are timing differentials.

Trial Balance Worksheet for Title IV Programs (cont'd)

Account Names	*Debit*	*Credit*
Federal Work-Study (FWS) Program		
Asset Accounts, FWS	xxxxx	
Liability Accounts, FWS		xxxxx
Income Accounts, FWS		xxxxx
Expense Accounts, FWS	xxxxx	
	-----	-----
Total, FWS Program	xxxxx	xxxxx
	====	====
Federal Perkins Loan Program		
Asset Accounts, Perkins	xxxxx	
Asset Reduction Accounts, Perkins		xxxxx
Federal Fund Balance		xxxxx
Institutional Fund Balance		xxxxx
Income Accounts, Perkins		xxxxx
Expense Accounts, Perkins	xxxxx	
	-----	-----
Total, Federal Perkins Loan Program	xxxxx	xxxxx
	====	====
William D. Ford Direct Loan Program		
Cash, Federal Direct Loans	xxxxx	
Accounts Receivable, GAPS	xxxxx	
Income from GAPS		xxxxx
Federal Reimbursement of Direct Loan Origination Services Costs		xxxxx
Direct Loan Funds Advanced to Borrowers	xxxxx	
Payment for Origination Services (POS) Paid to Institution	xxxxx	
	-----	-----
Total, Federal Direct Loan Program	xxxxx	xxxxx
	====	====
Federal Family Education Loan (FFEL) Program		
Cash, FFEL Account	xxxxx	
Cash Returned to Lenders		xxxxx
Cash Disbursed to Borrowers		xxxxx
Cash, Interest Earnings	xxxxx	
FFEL Trust Account		xxxxx
Interest Earnings from Investment of FFEL Funds		xxxxx
	-----	-----
Total, Federal Family Education Loan (FFEL) Program	xxxxx	xxxxx
	====	====

Prepared by ______________________ Date ______________

Approved by ______________________ Date ______________

Reconciliation of Cash for the Month of ______ Year _____

	Beginning Balance	*Deposits*	*Disburse-ments*	*Ending Balance*
Balance Per Bank Statement	xxxxx	xxxxx	xxxxx	xxxxx
Deposits in Transit:				
Last Month	xxxxx	(xxxx)		xxxxx
This Month		xxxxx		xxxxx
Outstanding Checks:				
Last Month	xxxxx		(xxxx)	xxxxx
This Month			xxxxx	xxxxx
Unrecorded Charges			xxxxx	xxxxx
(Unrecorded Credits)			(xxxx)	(xxxx)
(explain below)				
	-----	-----	------	-----
Balance Per Books	xxxxx	xxxxx	xxxxx	xxxxx
	====	====	====	====

Prepared by ______________________________ Date ________________

Approved by ______________________________ Date ________________

Reconciliation of Federal Funds for Quarter/Month Ended____

Cumulative Cash as of Last Quarter		xxxxx
Cash Received This Quarter		xxxxx

Cumulative Cash Received		xxxxx
Net Disbursement for Prior Years	xxxxx	

Changes to Prior Year Disbursements	xxxxx	xxxxx

Total Adjusted Prior Year Disbursements	xxxxx	
Net Disbursements This Year	xxxxx	

Cumulative Cash Disbursements	xxxxx	(xxxxx)
	====	------
Calculated Cash on Hand		xxxxx
Balance Per Bank Statement	xxxxx	
Adjustments:		
Outstanding Checks	(xxxxx)	
Deposits in Transit	xxxxx	
Other Adjustments	xxxxx	
Total Adjusted Balance Per Bank	xxxxx	(xxxxx)
	====	------
Difference (should be zero)		-0-
		=====

Prepared by ______________________ Date ______________

Approved by ______________________ Date ______________

Chapter 6

Title IV Reporting, NSLDS, Audit, Program Review, and Guaranty Agency Procedures

Summary

This chapter begins with a discussion of reports that are unique to non-campus-based Title IV programs, then addresses campus-based programs in an overview of the Fiscal Operations Report and Application to Participate (FISAP). Other reports, audits, and program reviews are also covered in this chapter.

Key Terms

- A-133 Audit
- Accounts Receivable Management Group (ARMG)
- Acknowledgement
- *Audit Guide*
- batch
- closed award
- compliance audit
- Corrective Action Plan (CAP)
- Direct Loan School Account Statement (DLSAS)
- Direct Loan Servicing Center (DLSC)
- Direct Loan Origination Center (LOC)
- EDExpress
- Electronic Data Exchange (EDE)
- Electronic Statement of Account (ESOA)
- federal audit
- Federal Capital Contribution (FCC)
- FEDWIRE
- Final Audit Determination Letter (FADL)
- Final Program Review Determination (FPRD) letter
- Financial Aid Transcript (FAT)
- Financial Services (FS)
- Fiscal Operations Report and Application to Participate (FISAP)
- Grant Administration and Payment System (GAPS)
- Level of Expenditure (LOE)
- Multiple Reporting Record (MRR)
- National Student Loan Data System (NSLDS)
- Office of Management and Budget (OMB)
- open award
- Potential Overpayment Project (POP)
- Recipient Financial Management System (RFMS)
- reconciliation
- Regional Inspector General for Audit (RIGA)
- Single Audit Act
- Student Status Confirmation Report (SSCR)
- Year-to-Date Summary

6.1 Federal Pell Grant Reporting

Reference:

- *Student Financial Aid Handbook: Federal Pell Grant Program Reference*

A school's financial aid office is responsible for determining student eligibility for Federal Pell Grants, awarding Federal Pell Grant funds, and authorizing the school's business office to disburse the funds to students or credit students' accounts. Once Federal Pell Grant funds have been disbursed or credited to a student's account, a school is responsible for reporting the student payment information to ED. This may be a function of a school's financial aid office *or* business office *or* both offices.

The school reports student payment information to ED through the Recipient Financial Management System (RFMS). RFMS enables ED to track a school's need for Federal Pell Grant funds and adjust the school's funding authorization. The system also provides documentation that allows the school to reconcile records of expenditures reported to ED with the school's records of payments made to students.

Recipient Financial Management System (RFMS)

New

Reference:

- *Student Financial Aid Handbook: Federal Pell Grant Program Reference*
- *1999-2000 Recipient Financial Management System Training Participant's Guide*
- ANN-98-8
- DCL-P-98-4

***Schools can send in any number of origination records. Also, schools can send in their origination records as early as May 25, 1999.**

Beginning July 1, 1999, schools will use RFMS to transmit Federal Pell Grant data. There are four categories of data that an institution sends to RFMS:

1. origination record
2. disbursement record
3. special disbursement record
4. data request record

*Origination records:**

- include demographic data about the school and, if applicable, its branches
- report to RFMS on expected award information about each student who may receive a Federal Pell Grant,
- contain the same information as the payment record,
- must be created before a disbursement can be made,
- may be sent with the initial disbursement record, and
- verify a student's eligibility for a specific annual award amount.

Origination records are not used to obligate funds or post transactions to the school's account.

***Schools cannot send in their disbursement records before July 1, 1999. However, if schools send in their disbursement records more than 30 days after the actual disbursement, they will receive a warning indicating they have committed a Federal Pell Grant violation.**

*Disbursement records:**

- report a disbursement, including the actual amount and date, or expected disbursement for each student,
- can be sent to RFMS up to 30 days before and 30 days after the actual disbursement,
  - if a school sends in its disbursement record more than 30 days after the actual disbursement, the school will receive a warning for a Federal Pell Grant violation
- are submitted with or after the origination record, and
- drive the school's funding level in GAPS.

Special disbursement records:

- are required for all institutions that ED places on reimbursement,
- may be submitted by any institution to send period-specific data, and
- contain information necessary to calculate the payment for the specific payment period to which the disbursement applies.

Data request records are used to request:

- acknowledgment batch replacements,
- the Electronic Statement of Account (ESOA), and
- year-to-date information.

Schools also use data request records to retrieve multiple-reporting information for students who have awards originated at more than one institution.

Acknowledgement

After ED processes any RFMS record (including an origination record, disbursement record, special disbursement record, and data request), schools receive an acknowledgement within 6 to 8 hours and have funds available to draw down within 24 to 36 hours. The acknowledgement identifies each record the school sent to ED in one of the following categories:

- *Accepted*—The school should keep these records in its files. The school does not need to resubmit them unless the award year data change.

- *Corrected*—The information is incomplete, so RFMS makes certain corrections to accept the data. The school must review the information and resubmit it if RFMS's corrections are inaccurate.

- *Rejected*—The data are inconsistent or inaccurate and cannot be accepted for payment. These records must be corrected and resubmitted. The rejected category includes duplicates. These records are duplicates of previously accepted records by ED. The school should keep these records in its files. Duplicates should not be resubmitted unless the award year data change.

Electronic Letters

RFMS can send electronic letters to schools as needed. It sends electronic letters in an ASCII text format. For institutions not participating in Electronic Data Exchange (EDE), the letters are available via the new Internet Web Institution Access site that is replacing the Institution Access System (IAS). To improve access to RFMS, institutions will be able to submit data records via the Internet. This Internet site will be available 24 hours a days, 7 days a week.

Requesting Data

Reference:

- *1999-2000 Recipient Financial Management System Training Participant's Guide*

RFMS provides schools with the following tools to help manage their Federal Pell Grant database:

- Electronic Statement of Account,

- Multiple Reporting Record, and

- Year-to-Date Data.

Electronic Statement of Account (ESOA)

A school's authorization is the maximum amount of Federal Pell Grant funds it may draw down from the Grant Administration and Payment System (GAPS) to disburse to students. ED reports authorizations to schools in an electronic format called the Electronic Statement of Account (ESOA).

Schools receive an ESOA immediately after GAPS processes the authorization. The ESOA includes a summary with information such as current authorization amounts and year-to-date disbursement amounts. It also includes a status of the account when the last ESOA was sent to the school as well as a detail record that lists each transaction processed between RFMS and GAPS.

Multiple Reporting Record (MRR)

Reference:

- *1999-2000 Recipient Financial Management System Training Participant's Guide*

***Although RFMS will potentially reduce the overpayment problem, you can still have concurrent enrollment of the same student or two schools submitting a disbursement record for the same student at the same time.**

Once a disbursement record is sent, an MRR is sent automatically if a Potential Overpayment Project (POP) or concurrent enrollment occurs.*

- *POP* occurs when two or more schools send a disbursement record for a student and the percentage of the student's Federal Pell Grant eligibility used is greater than 100 percent.
- *Concurrent enrollment* occurs when two or more schools send in origination records for the same student with enrollment dates within 30 days of each other.

Schools can also request an MRR from RFMS to obtain information about any other schools that may have submitted origination or disbursement records for their students. Schools can request an MRR six ways:

1. *OA*–RFMS provides the school with information about all origination records it has received where the original Social Security number (SSN) and name code match the origination records the school submitted. *OA* can also be used to find out if other schools have submitted origination records for the school's students.
2. *OS*–RFMS returns information about other schools that submitted origination records for selected students. Schools can use this option for transfer students.
3. *OI*–RFMS returns information about all students originated at selected schools. Schools might use this option to specify all records from a school in its area that many of its students transfer to.
4. *DA*–RFMS provides the school with information about all the disbursement records it has received where the original SSN and name code match the disbursement records the school submitted.
5. *DS*–RFMS returns information about other schools that have submitted disbursement records for selected students.
6. *DI*–RFMS returns information about all students who had disbursement records submitted at selected schools.

Reference:

- *1999-2000 Recipient Financial Management System Training Participant's Guide*

Year-to-Date Data

The Year-to-Date (YTD) or other RFMS-compatible software record replaces the Student Payment Summary (SPS). Using EDExpress, YTD data provide summary statistics for:

- all recipients,
- all origination records,
- originations accepted,
- originations accepted with corrections,
- all disbursement records,
- disbursements accepted,
- disbursement accepted with corrections, *and*
- counts for rejects and warning codes.

An institution can request YTD records for all of the activity posted to the RFMS database up to the present. RFMS creates a set of records for every student the institution has reported for the award year. Each student has a year-to-date origination record and year-to-date disbursement record for each disbursement accepted.

Institutions may request YTD records for all students or selected students that are specified in the data request record.

Administrative Cost Allowance (ACA)

A school participating in the Federal Pell Grant Program is entitled to an administrative cost allowance (ACA) to help offset the costs of administering the program. ED notifies the school of the amount of its ACA by RFMS electronic letter several times a year and pays the school automatically by EFT.

A school receives $5 for each of its reported Pell recipients. Students who later withdraw are included in the number of recipients as well as transfer students. Students whose payment data are rejected by ED are not included.

The ACA must be used only to help pay the costs of administering the Federal Pell Grant Program and the campus-based programs. If a school enrolls a significant number of less-than-full-time or independent students, the school is required to use a reasonable portion of the ACA to ensure that financial aid services are available to those students.

6.2 William D. Ford Federal Direct Loan Program Reporting

Schools participating in the William D. Ford Federal Direct Loan Program (Direct Loan Program) perform a number of reporting functions for the program. Because Direct Loans are disbursed directly to students through their schools, schools must report disbursements and other information on a regular basis. Schools must also report the enrollment status of Direct Loan student borrowers using the Student Status Confirmation Report (SSCR). SSCR will be discussed in detail in the section on the National Student Loan Data System (NSLDS).

Direct Loan schools send electronic reports and other communications directly to the Direct Loan Origination Center (LOC).

With the exception of promissory notes and Direct PLUS Loan combined applications/promissory notes (both of which are paper documents), all reports transmitted by schools are electronically formatted records. Many schools participating in the Direct Loan Program use PC-based EDExpress software to administer the program; others operate on a "mainframe-to-mainframe" basis with the LOC.

Up to the point that Direct Loans are disbursed, most of a school's communication with the LOC may be handled by the school's financial aid office. Reporting functions, such as monthly reconciliation and exit counseling reporting, occur after loan disbursement and may be handled by a school office other than the financial aid office, such as the business office.

Monthly Reconciliation

Reference:

- *Direct Loan School Guide*
- DLB-97-49

Schools participating in the Direct Loan Program must reconcile funds on a monthly basis. The reconciliation process involves comparing the school's internal records with the cash balance on the school's monthly Direct Loan School Account Statement (DLSAS). The DLSAS calculates a school's cash balance by adding and subtracting the following cash records:

- drawdowns (also called cash receipts or advances),
- returns of excess cash,
- disbursements to borrowers, and
- adjustments to disbursements.

The LOC is responsible for initiating the reconciliation process with the school by transmitting the DLSAS electronic file to schools on a monthly basis. However, it is the school's responsibility to review the DLSAS on a monthly basis and resolve any discrepancies with the LOC as quickly as possible.

In effect, the school is responsible for reconciling. Any items not reconciled with the LOC and DLSAS by the end of the following month will be included on the subsequent DLSAS for further attempts at reconciliation.

There may be items that are not reconciled before the next month's reconciliation begins. These unreconciled items will be included in the next reconciliation, and all of these items should reconcile in the next month's reconciliation. This is similar to a bank statement in that most records will reconcile, but because of timing differences or rejections, not everything is reconciled the first time.

The DLSAS file that the LOC creates and exports to schools contains three files:

- the cash summary record,
- the cash detail record, and
- the loan detail record.

Cash Summary Record

The cash summary for each month begins with the ending cash balance from the previous month. At the beginning of each academic year, the beginning cash balance should be zero.

The cash summary summarizes:

- drawdowns for the month,
- excess cash received by the LOC for the month,
- all disbursements acknowledged and booked for the month,
- disbursements and adjustments,
- booked loans, *and*
- accepted disbursements for unbooked loans.

A loan is "booked" when

- the LOC has received and accepted a loan origination record;

- the LOC has accepted a signed promissory note from the borrower; *and*
- the disbursement record has been transmitted to and accepted by the LOC.

Cash Detail Record

The cash detail record provides a detailed listing of all drawdowns and excess cash by transaction. Information in the cash detail section should be compared with the school's internal records and bank statements. This information is obtained from GAPS for drawdowns and from the LOC for excess cash returned.

Loan Detail Record

The loan detail record is optional. For schools that choose to receive a loan detail record, the DLSAS file includes booked disbursement transactions acknowledged during the month.

Schools that do not want a loan detail record as part of the DLSAS file must contact their LOC customer service representative to have the record omitted. However, a school can request a loan detail record for a specific month even if it does not want a loan detail record included regularly within its DLSAS file.

After receiving a DLSAS from the LOC, schools are required to review and compare the monthly DLSAS to their internal records to ensure the accuracy of the data on both the school's system and the LOC's system. Schools must reconcile the ending cash balance reflected in the monthly DLSAS cash summary with the cash balance reflected in schools' internal records.

If there are unreconciled records, the school must review each unreconciled record and, with the help of the LOC and/or their Direct Loan Client Account Manager (CAM), determine why it did not reconcile. The next section provides guidance in reconciling records.

Some common reasons that loan detail records fail to reconcile are:

- the loan was never "booked," meaning that the LOC did not receive or reject one or more of the following—the promissory note, the origination record, or the disbursement record, *or*
- the disbursement record or adjustment record was never sent to the LOC.

Reasons for cash detail records failing to reconcile are missing or mismatched cash receipts or excess cash records from either the school or LOC.

After the school has corrected the rejected records, the school should transmit another (corrected) reconciliation file for the same reconciliation period to the LOC. The LOC repeats the process of comparing the school's records with its records. This process continues until all records are reconciled.

Tools to Help With Reconciliation

If a school is having problems reconciling records, it can use:

- school system reports,
- the loan detail exception file (#L Batch) data compare option, and
- the Compare Program.

School System Reports

There are five school systems reports that can be used to help schools reconcile:

1. booked status report
2. cash management report
3. loans with an origination not in accepted ("A") status
4. loans with a promissory note not in "A" status
5. loans with a disbursement not in "A" status

Loan Detail Exception File

The loan detail exception file (#L Batch) data compare option exports loan data from the school's system. The data exported to the LOC are booked data for a specified month and cumulative unbooked data. The LOC returns a side-by-side comparison report that compares the LOC data with the school data line by line.

The Compare Program

Direct Loan Client Account Managers (CAMs) help schools with reconciliation using the Compare Program. The Compare Program electronically compares a school's 732-LOS Detail Report (732) against its EDExpress database. The Compare Program shows if a school has:

- unbooked loans on the 732,
- loan records on the school's system but no corresponding record on the 732,
- loan records on the 732 but no corresponding records on the school's system,
- corresponding loan records but net disbursement amounts that don't match, and
- any cash records that can't match because of different amounts, missing records, or dates outside a tolerance window.

Schools with questions about reconciliation can call the LOC's Direct Loan Customer Services at 1-800-848-0978 for assistance.

Exit Counseling Reporting

During exit counseling, Direct Loan borrowers who withdraw, graduate, or drop below half-time enrollment are required to update information in a school's records concerning:

- name,
- address,
- Social Security number,
- references,
- driver's license number and state of issuance (if the borrower has a license), and
- name and address of expected employer (if known).

ED has advised schools to retain the information in their files for future use in the event that they need to find borrowers who are late with payments or who default.

6.3 Federal Family Education Loan (FFEL) Program Reporting

Schools are required to report enrollment and other information about Federal Family Education Loan (FFEL) Program student borrowers on a regular basis. This is done by completing a Student Status Confirmation Report (SSCR). SSCR will be discussed in detail in the next section, National Student Loan Data System (NSLDS).*

***The same reporting on a regular basis via NSLDS applies to Federal Direct Loan schools.**

Exit Counseling Reporting

Shortly before FFEL Program student borrowers withdraw, graduate, or drop below half-time enrollment, they are required to update information in a school's records concerning:

- name,
- address,
- Social Security number,
- references,
- driver's license number and state of issuance (if the borrower has a license), and
- name and address of expected employer (if known).

Schools are required to report this updated exit information to the student's guaranty agency within 60 days of receiving it.

6.4 National Student Loan Data System (NSLDS)

Reference:

- *The Paperless Link NSLDS: Quick Reference Guide,* October 1998

The National Student Loan Data System (NSLDS) is the first national database for Title IV loan and grant programs. NSLDS contains data on recipients from:

- the Federal Family Education Loan (FFEL) Program,
- the William D. Ford Federal Direct Loan Program,
- the Federal Perkins Loan Program (including National Direct, National Defense, and Income Contingent Loans),

- the Federal Pell Grant Program, and
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

Data Providers

NSLDS receives data from multiple sources, both internal and external to ED, and it maintains those data in several integrated databases. The data are available to many different system users for administration, research support, policy analysis, and other management purposes.

ED's Internal Data Sources

ED's internal data sources include the Central Processing System (CPS), ED's Debt Collection Service (DCS), the Direct Loan Servicing Center (DLSC), the Postsecondary Education Participant System (PEPS), and the Recipient Financial Management System (RFMS).

- *CPS*–performs the eligibility prescreening function that identifies recipients who are potentially ineligible for additional Title IV aid.
- *DCS*–provides updates on defaulted Federally Insured Student Loans (FISLs), Federal Perkins Loans, and FFEL Program loans assigned to ED for collection.
- *LSC*–supplies NSLDS with monthly data on Direct Loans.
- *PEPS*–provides a means to convert Federal Pell Grant institution codes, FFEL Program school IDs, and campus-based school codes to OPE-IDs.
- *RFMS*–provides NSLDS with Federal Pell Grant payment information on a weekly basis.

ED's External Data Sources

ED's external data sources include guaranty agencies, lenders, schools, and third-party servicers.

- *Guaranty Agencies*—Guaranty agencies provide data monthly to NSLDS on FFEL Program loans held by lenders or by the guaranty agencies themselves. While agencies submit data monthly, outstanding principal balances may be up to four months old since lenders might only report balances to their guaranty agency on a quarterly basis.

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- *Lenders*—Lenders or their servicers are required to provide information to their affiliated guaranty agencies (for subsequent submission to NSLDS) on loan sales, deferments, disbursements, refunds, cancellations, interest rates, loan status, and preclaims assistance requests.
- *Schools*—Schools or their third-party servicers are required to provide:
  - *Student Status Confirmation Report (SSCR)*—enrollment information to NSLDS via the SSCR;
  - *Overpayment information*—Pell, FSEOG, and Federal Perkins Loan overpayment information to NSLDS; and
  - *Federal Perkins Loans data*—accurate data every 30 days to NSLDS on Federal Perkins Loans, National Direct Student Loans, and National Defense Student Loans.

NSLDS provides a flexible, accessible, and comprehensive database of Title IV information that can be used for a wide range of research and reporting purposes. The database is also secure with controlled access to both ED and external users.

While NSLDS is used primarily as an information resource for schools, its existence changed reporting procedures for the SSCR, overpayments, and the Federal Perkins Loan Program.

Student Status Confirmation Report (SSCR)

Reference:

- *SSCR User's Guide*
- DCL-GEN-98-22
- DCL-GEN-97-9
- DCL-GEN-96-5
- DCL-GEN-96-17

Since January 1, 1998, federal regulations have required all schools to have online access to NSLDS whether the school uses a third-party servicer or mainframe to mainframe connectivity for the exchange of SSCR files. The primary reason for this requirement is to ensure that schools have access to the NSLDS on-line Financial Aid Transcript (FAT) screens.

- If the school uses a third-party servicer to perform the SSCR function on its behalf, the school must indicate the servicer on the participation agreement.
- If the school hired a third-party servicer to perform its SSCR function, the third-party servicer is the destination point for the exchange of SSCR data–the data will not be sent to the school.

Reference:

- 34 CFR 682.610(c)
- 34 CFR 685.309(b)

The Higher Education Act of 1965, as amended (HEA), requires schools to confirm and report the enrollment status of students who receive federal loans.

- Schools comply with the federal requirement to update and provide current enrollment information through the SSCR process.
- The SSCR process is for Direct Loan Program loans and FFEL Program loans.

The SSCR process plays a critical role in effectively administering Title IV loan programs. It is the primary means of verifying student loan privileges and the federal government's monetary obligations.

Using the SSCR process, schools can update enrollment information in NSLDS via batch request or online.

- *Batch Method*–This method allows a school to receive a single electronic SSCR file, fully process it in its computing environment, and transmit the SSCR data back to NSLDS–again as a single file.
- *Online Method*–This method allows a school to update the enrollment data directly on the screens in NSLDS using 3270 Emulator (previously NetConnect).

In some circumstances, there are advantages to using the online method:

- If a school needs to correct a few student records on a previously submitted SSCR or make an ad hoc report for a change in student status, online updating is appropriate.
- The SSCR software module allows a school to update and build a submittal file on its personal computer (PC) off-line (that is, without being connected to NSLDS) and transmit it using EDconnect 32-bit.
    - For more information about the SSCR software, call CPS Customer Service at 1-800-330-5947.
    - To order the 32-bit SSCR software, the number to call is 1-800-615-1189.

There are three files associated with the SSCR process:

1. SSCR Roster Files
2. SSCR Submittal Files
3. SSCR Error Notification Files

SSCR Roster Files

The SSCR Roster File sent to a school or its third-party servicer contains a list of borrowers who are recorded in the NSLDS database as being enrolled at that school or who have withdrawn in the last six months; the students will have one of these six statuses:

1. F–full time
2. G–graduated*
3. H–half time
4. L–less than half time
5. A–authorized leave of absence
6. W–withdrawn

***This status is a recent addition to the roster. It was requested by schools and announced by NSLDS in March 1999.**

Students reported to NSLDS with a "G" or "W" enrollment status remain on the roster 180 days from the reported date of withdrawal.

A school sets its own schedule for receiving SSCR Roster Files, using the online screens. The schedule must meet the following ED requirements:

- In a 12-month period, a school must request a minimum of at least two SSCRs and may request a maximum of up to six SSCRs.
- A school may not schedule SSCR rosters for successive months.
- If the school has term-based programs, at least one SSCR must be requested each regular term.
- If a school schedules fewer than four SSCRs, the SSCRs must be scheduled at least four months apart.
- A school may change its SSCR schedule at any time, as long as ED's requirements are met.
    - If a school wants to change its schedule for receiving SSCRs, it should make the change at least ten days before the next scheduled delivery of a roster.

If a school does not establish its own schedule, NSLDS will send rosters every other month during the academic year.

SSCR Submittal Files

Within 30 calendar days of a school receiving the SSCR Roster File, the school must review the data, make the changes, and send in the SSCR Submittal File. NSLDS retrieves the updated file from the school's electronic mailbox.

Schools that don't comply with the 30-day requirement may be subject to certain actions by ED, such as fines or limitation, suspension, or termination.

ED sends "overdue letters" to schools if they have not complied. These letters remind schools of their SSCR obligations and ED's enforcement options.

Third-party servicers do not have the same SSCR responsibilities as schools. Schools may have a business relationship with any third-party servicer. However, the school is still responsible for the performance of the third-party servicer in handling SSCR responsibilities.

SSCR Error Notification Files

After NSLDS receives and processes the data in the school's SSCR Submittal File, it returns an SSCR Error Notification File to the school. This file documents the school's compliance with SSCR requirements.

NSLDS will always generate an SSCR Error Notification File, even if it is to report that there are no errors in a school's SSCR Submittal File.

- If errors are noted, the school has 10 calendar days to respond to the error report and correct the errors.
- The notification file will continue to be sent to a school until the errors are corrected or the next cycle comes up.
- All unresolved errors appear in the next SSCR cycle and are monitored by ED.
- If the file contains no errors, the school does not need to respond. However, the school should keep the files as proof that the institution successfully completed the SSCR requirement.
- The school can correct errors online, even if the initial SSCR Submittal File was returned using the batch process.

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Overpayments

New

Reference:

- HEA, Section 484(a)(3)
- 34 CFR 668.32(g)
- DCL-GEN-98-14
- DCL-GEN-98-22

The HEA provides that a student is not eligible to receive Title IV funds if he or she owes an overpayment on Title IV aid. Schools must notify NSLDS about students who currently owe an overpayment on a Federal Pell Grant, FSEOG, or Federal Perkins Loan.

Schools must report overpayment information for:

- overpayments that haven't been paid,
- overpayments that haven't been resolved, and
- overpayments where the student has made satisfactory payment arrangements.

Once a school notifies NSLDS about a student's overpayment, the overpayment information will appear on NSLDS's financial aid transcript (FAT) screens and overpayment screens; thus allowing other schools to view this information. A process called post-screening results in an exchange of information between the Central Processing System (CPS) and NSLDS, which generates new Institutional Student Information Records (ISIRs) to schools and new Student Aid Reports (SARs) to students if the student's eligibility changes due to overpayment information added to the record.

Anytime an ISIR or SAR that shows an overpayment is received by a school, the school must deny Title IV aid to that student until the overpayment has been resolved.

Schools are required to report new overpayments and changes to previously submitted overpayment information no later than 30 days after the school becomes aware of the overpayment or of the needed change.

Overpayments previously reported by schools to ED's Debt Collection Service (DCS) are entered into NSLDS by ED. Therefore, schools do not need to enter them into NSLDS.

Reporting overpayment information to NSLDS is separate and distinct from the requirement that institutions report unsuccessfully collected overpayments to ED so that DCS can collect the overpayment. In the future, ED plans to develop a process that will combine both requirements.

Federal Perkins Loan

Reference:

- *Electronic Aid Office Training Guide*
- DCL-GEN-98-22

Beginning July 1, 1999, all schools must report Federal Perkins Loan data electronically over the Internet.

Reference:

- *Electronic Aid Office Training Guide*
- DCL-GEN-98-22

Schools or their third-party servicers must report Federal Perkins Loan data to NSLDS monthly. The school or third-party servicer makes an initial submission of data to NSLDS that includes:

- all active loans in its Federal Perkins portfolio, regardless of status (except those permanently assigned to ED) and
- all Federal Perkins Loans closed on or after October 1, 1989.

After initial submission of Federal Perkins Loan data, schools or their third-party servicers are required to report only data for new loans and data changes for active loans. All data submitted to NSLDS must be as complete and correct as possible and submitted according to a pre-determined schedule established by ED.

The process for on-going submissions of Federal Perkins Loan data includes:

- extracting specific data elements from each qualified loan record in the school's database;
- formatting the data in a standard manner;
- editing and verifying the data; and
- creating a submission file of the data to send to NSLDS.

6.5 The Fiscal Operations Report and Application to Participate (FISAP)

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*
- DCL-CB-99-2

The electronic Fiscal Operations Report and Application to Participate (FISAP) is:

- an application a school completes to receive funds from one or more Title IV campus-based programs for the upcoming award year *and*
- an annual report of financial and enrollment activity for the previous award year.

The business office, financial aid office, and registrar office should work closely together to gather information needed to complete the FISAP. The offices involved with completing the FISAP may vary from school to school. The information on the FISAP must be verified before submitting it to ED.

Schools applying for campus-based funds for the first time will not have Title IV program expenditures to report for the previous award year.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

New

However, these schools must still complete and file Part I, including the certifications, and Part II of the FISAP to request funds for the upcoming award year.

Beginning with the 2000-01 award year, schools will be required to submit their FISAPs to a campus-based program contractor via ED's Title IV Wide Area Network (TIV WAN) using the EDConnect (FISAP for Windows) software to transmit their FISAP data. The data will be processed and returned to the school's electronic mailbox.

- However, because TIV WAN is being redesigned to accommodate Internet traffic between Title IV customers and Title IV applications, TIV WAN is being renamed the Student Aid Internet Gateway (SAIG). TIV WAN will continue to be used until September 2001.

Schools must file a FISAP electronically no later than October 1 of each calendar year. Each annual FISAP reports information for the preceding award year that ended on June 30 of the current calendar year and requests funds for the following award year that begins on July 1 of the following calendar year. For example, when a school files a FISAP on October 1, 1999, it will report for the period from July 1, 1998 through June 30, 1999 (the previous award year) and apply for the period July 1, 2000 through June 30, 2001 (the upcoming award year).

Reference:

- DCL-CB-99-3
- DCL-CB-99-6

ED distributes the FISAP cover letter, installation guide, and software to schools electronically no later than August 1 each year. ED provides the *FISAP Instructions Booklet* and *FISAP Technical Reference* via http://ifap.ed.gov and the *FISAP Desk Reference* via TIV WAN. All FISAP edits must be resolved or explained to ED's satisfaction before any Title IV funds are allocated. Schools should receive a final edit report from ED by November 15 of each calendar year; they must submit edit corrections by December 15.

Schools electronically receive tentative allocations of funds by February 1 and original allocations of funds by April 1 for the upcoming award year beginning July 1.

In addition to data submitted electronically, schools must mail signed, original copies of the FISAP signature page* and certification forms to ED. The certification forms, which are included in the FISAP package, cover anti-lobbying, debarment, and drug-free workplace requirements.

***Schools do not have to send a new FISAP signature page during the FISAP edit process.**

Completing the FISAP requires accurate, detailed accounting information. The process can be greatly simplified if a school designs its chart of accounts with the FISAP in mind. In addition, accurate, well-maintained student records are necessary to complete the FISAP properly.

The FISAP software provides instructions and has edits to help users complete the information. The following discussion provides an overview of each section of the FISAP, focusing on issues of particular interest to school fiscal officers.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Part I: Identifying Information, Certifications, and Warning

All institutions must complete Part I.

Section A: Identifying Information

Section A of Part I gathers information about a school that ED uses to update its records. Section A requests the following information about the school:

- *Field 1a:* name and address of institution,
- *Field 1b:* mailing address (if different from official address),
- *Field 2a:* DUNS number,
- *Field 2b:* serial number,
- *Field 2c:* OPE ID number,
- *Fields 3.1- 3.3:* type of institution,
- *Fields 4.1- 4.7:* length and type of program,
- *Field 5:* additional locations.

Section B: Certifications and Warning

By signing Section B of Part I, the school certifies that the information submitted on the FISAP is true and accurate to the best knowledge of school officials signing the certification. It also warns certifying officials that the institution's FISAP is subject to audit and program review by ED and that providing false or misleading information on the FISAP may result in criminal penalties.

Fields 6 - 9 collect signatures, telephone numbers, and fax numbers of a school's chief executive officer (CEO), financial aid administrator (FAA), and chief fiscal officer (CFO). It also collects the financial aid administrator's email address. If a school uses a private financial aid consulting firm, and if individuals from that firm have signed the FISAP as the school's FAA or CFO, the firm's name and address must also be provided.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Because Part I must contain original signatures, it must be returned to ED in paper form. Specific instructions for returning the signature page are given in the FISAP instructions.

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OMB No 1840-0073
Expires 03/31/2002

FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE (FISAP)
REPORT AWARD PERIOD JULY 1, 1998 - JUNE 30, 1999: APPLICATION: AWARD PERIOD JULY 1, 2000 - JUNE 30, 2001

PART I. IDENTIFYING INFORMATION, CERTIFICATIONS AND WARNING

SECTION A. IDENTIFYING INFORMATION

1a. NAME AND ADDRESS OF INSTITUTION

____
____
____

2a. DUNS# ____________

2b. SERIAL# ________ 2c. OPEID# ____________

1b. MAILING ADDRESS (if different from 1a)

____
____
____

3. TYPE OF INSTITUTION (SELECT ONE)

__ 3.1 PUBLIC
__ 3.2 PRIVATE/NON-PROFIT
__ 3.3 PROPRIETARY

__ A) ART
__ B) BUSINESS
__ C) COSMETOLOGY
__ D) TRADE & TECHNICAL
__ E) OTHER

4. LENGTH/TYPE OF LONGEST PROGRAM (SELECT ONE)

__ 4.1 LESS THAN 1 YEAR
__ 4.2 1 YEAR BUT LESS THAN 2 YEARS
__ 4.3 2 YEARS BUT LESS THAN 3 YEARS
__ 4.4 3 YEARS BUT LESS THAN 4 YEARS
__ 4.5 4 YEARS (NO HIGHER THAN A BACCALAUREATE DEGREE)
__ 4.6 5 YEARS OR MORE
__ 4.7 POSTBACCALAUREATE ONLY

5. ADDITIONAL LOCATIONS:

INSTITUTIONS WITH SEPARATELY ELIGIBLE ADDITIONAL LOCATIONS WHICH WILL BE FUNDED UNDER THIS APPLICATION MUST LIST THESE LOCATIONS AND THEIR ADDRESSES AND OPEID#'S ON THE SCREEN. YOU MAY NOT FILE A SEPARATE APPLICATION FOR ANY SEPARATELY ELIGIBLE INSTITUTION LISTED HEREIN.

WE HAVE ENTERED A LIST OF SEPARATELY ELIGIBLE ADDITIONAL LOCATIONS INCLUDED IN THIS APPLICATION. YES __ NO __

SECTION B. CERTIFICATIONS AND WARNING

WE CERTIFY THAT THE INFORMATION CONTAINED IN THIS FISAP IS IN COMPLIANCE WITH GOVERNING LEGISLATION AND REGULATIONS AND IS TRUE AND ACCURATE TO THE BEST OF OUR KNOWLEDGE. WE UNDERSTAND THAT THE INFORMATION IS SUBJECT TO AUDIT AND PROGRAM REVIEW BY REPRESENTATIVES OF THE SECRETARY OF EDUCATION.

WARNING: ANY PERSON WHO KNOWINGLY PROVIDES FALSE OR MISLEADING INFORMATION ON THIS FISAP WILL BE SUBJECT TO A FINE OF UP TO $10,000 OR IMPRISONMENT OF UP TO 5 YEARS OR BOTH UNDER PROVISIONS OF THE UNITED STATES CRIMINAL CODE TITLE 18 SECTION 1001.

6. CHIEF EXECUTIVE OFFICER (PRESIDENT, CHANCELLOR, OWNER, ETC.)

SIGNATURE ____________________
TYPED NAME ____________________

DATE SIGNED ________
TELEPHONE NO (__) ___-____
FAX PHONE NO (__) ___-____

7. FINANCIAL AID ADMINISTRATOR

SIGNATURE ____________________
TYPED NAME ____________________
E-MAIL ADDRESS ____________________

DATE SIGNED ________
TELEPHONE NO (__) ___-____
FAX PHONE NO (__) ___-____

8. CHIEF FISCAL OFFICER

SIGNATURE ____________________
TYPED NAME ____________________

DATE SIGNED ________
TELEPHONE NO (__) ___-____
FAX PHONE NO (__) ___-____

9. NAME & ADDRESS OF PRIVATE FINANCIAL AID CONSULTANT FIRM

NAME: ____________________
ADDRESS 1 ____________________
ADDRESS 2 ____________________
CITY ____________ STATE ___ Zip ___ ____

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Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Part II: Application to Participate

Schools that wish to request Title IV campus-based funds for an upcoming award year must complete Part II of the FISAP. In addition to requesting funds for one or more campus-based program, schools use this part to report institutional information on student enrollment, tuition and fee assessments, and Federal Pell Grant and state aid expenditures, as well as eligible aid applicants. The amount of funds an institution receives is determined by formulas contained in federal law and regulations.

Section A: Request for Funds

In Section A, a school lists the amount of funds it wants to receive for each campus-based program in which it participates. If the school enters "0" for a program, it will not receive an allocation for that program, even if it is eligible to do so. Actual allocations are computed by ED and may differ from the amounts the school requests.

A school should not request more federal funds for a program than it expects to use. Unexpended funds from a previous award year indicate that a school overestimated its needs. This may result in a reduced program allocation for the upcoming award year.

This section requires schools to enter two types of funding requests for the Federal Perkins Loan Program. In *Field 1*, schools report the level of expenditure (LOE). LOE is the total amount a school expects to use to make loans to students and to pay administrative and collection costs in the upcoming award year. In *Field 2*, schools report the Federal Capital Contribution (FCC). FCC is the amount of new federal funds to be contributed to a school's existing Federal Perkins Loan fund.

In *Field 3* of this section, schools request Federal Supplemental Educational Opportunity Grant (FSEOG) funds. A school's FSEOG request is the amount of federal funds it needs to make awards to students and to pay program administrative costs in the upcoming award year.

In *Field 4* of this section, schools request Federal Work-Study (FWS) funds. A school's FWS request is the amount of federal funds it needs to make awards to students to pay their earned compensation, cover allowable Job Location and Development Program expenditures, and pay administrative costs. Beginning with the 2000-01 award year, at least 7 percent of the institution's federal funds must be spent in community-service activities.

Total funds expended from each campus-based program must contain both a federal and nonfederal share. Part II, Section A, of the FISAP concerns the federal share only. However, schools must consider their nonfederal

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shares when determining expected campus-based expenditures and their need for federal funds.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section B

Field 5 in Section B is reserved for future use and should *not* be completed.

Section C*: FWS and/or FSEOG Institutional Share Waiver Request

Fields 6.1 and 6.2 in Section C should be completed by institutions that qualify for and desire a waiver. A qualified institution is one that is designated as an eligible Title III institution under the Strengthening Institutions or Strengthening Historically Black Colleges and Universities programs. Such institutions are eligible for FWS and FSEOG waivers. Eligible institutions under the Strengthening Historically Black Graduate Institutions Program are eligible for FWS waivers only.

A waiver allows an institution to use only federal funds when making FWS and/or FSEOG awards. For the institution, this results in less funding being available for awards to students in these programs, however, the institution does not have to expend funds.

***Section C, which formerly covered the Expanded Lending Option (ELO) section, was eliminated as of October 1, 1998. In Field 6, Title III schools can request a waiver for FSEOG and FWS.**

Reference:

- 34 CFR Parts 607-609

Section D: Federal Perkins Loan Program Liquidation Request

Field 7 in Section D should only be completed by institutions that wish to withdraw from the Federal Perkins Loan Program. The school must follow the approved liquidation procedures.

Reference:

- DCL-CB-98-11 (LD)

Section E: Waiver Request for Under Use of Funds

Field 8 in Section E should only be completed by institutions that wish to request a waiver of penalty for under using federal campus-based funds. If an institution returned more than 10 percent of its Federal Perkins Loan, FSEOG, or FWS allocation the previous award year, the institution's allocation for the following year will automatically be reduced for that program by the dollar amount returned for that previous award year.

Reference:

- 34 CFR 673.4(d)(3)

Schools may submit a written explanation of the circumstances that caused the underuse of funds in the electronic FISAP "additional information" screen. If a school needs to submit additional documentation to support its written explanation, it must be submitted with the signature page and certification forms.

Each waiver request will be considered by an ED review panel. The panel reviews the request and the school will get a letter approving or disapproving the request. If it is approved, the waiver will appear on the school's Official Notice of Funding.

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New

***Beginning with the 2000-01 award year, schools select "Yes" or "No" when asked if they have a traditional calendar.**

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section F: Information on Enrollment

All schools must complete *Field 9** in Section F. Section F collects enrollment information that ED uses to compute a school's campus-based program allocations. A school reports its enrollment information on the basis of whether it uses a traditional or non-traditional calendar.

A school that uses a traditional calendar:

- has academic terms that are quarters, semesters, or trimesters *and*
- has only one admission period during each academic term.

It includes any student enrolled in one or more undergraduate or graduate/professional classes, except students who exclusively were auditing classes. Traditional schools complete *Field 10* or *Fields 11 and 12*.

A school that uses a non-traditional calendar:

- admits a new group of students monthly or more frequently into a majority of its eligible programs, even if they attend classes on a quarter, semester, or trimester basis *or*
- has students enroll on a quarter, semester, or trimester basis, but admits a new group of students in a program monthly, bimonthly, and so on.

Non-traditional schools complete *Fields 13-25*.

Section G: Assessments and Expenditures

The information reported in Section G is also used to compute a school's need for campus-based program funds.

****Assessed fee revenues are fees that are charged to all students.**

In *Field 26* of this section, schools must disclose tuition and fee revenues** assessed for all students reported as enrolled in Section F of Part II. Assessed tuition and fee revenues include:

- amounts charged to and collected from students,
- amounts charged but not collected, and
- remissions or waivers of costs.

If a school charges a total, inclusive fee for tuition and room and board, it may not count the room and board portion of the fee in assessed revenues. It must allot a reasonable amount of the total fee to tuition only.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

If a school assesses and collects fees on behalf of a non-institutional agency, it may not count these fees in assessed revenues. (For example, student medical-insurance premiums collected by a school and passed on to an insurance company are not considered school-assessed revenues.)

Field 27 in Section G requires schools to report total Federal Pell Grant expenditures for the previous award year. This amount should agree with the final cumulative amount entered in GAPS.

Finally, *Field 28* in Section G collects information on state scholarships and grant expenditures for undergraduates for the previous award year. These expenditures consist of:

- state grants,
- state scholarships,
- tuition equalization awards,
- competitive awards,
- instructional grant awards, and
- Leveraging Educational Assistance Partnership (LEAP) Program Grants (formerly State Student Incentive Grants [SSIGs]).

Reference:

- DCL-CB-98-15

LEAP Program award amounts include the total of both federal and nonfederal shares, regardless of the source of the nonfederal share.

State awards include those from the state in which a school is located and those that students bring with them from other states. State awards should not be included if a school makes the final decisions about which students get the funds, unless such funds are used as a source of the nonfederal share for the LEAP Program.

Robert C. Byrd Honors Scholarships and Paul Douglas Teacher Scholarships are excluded from state awards; they must not be reported in Section G.

Section H: Information on Eligible Aid Applicants

Section H covers *Fields 29 - 44*. In Section H, a school reports information for eligible aid applicants on the basis of a student's dependency status (dependent or independent), program classification (undergraduate or graduate), and total family income (the total of a student's and parents' or a student's and spouse's taxable and nontaxable income used to calculate the student's Expected Family Contribution [EFC]). Information for students with an automatic zero EFC (no family contribution is expected) is also

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions .Booklet*

Reference:

- HEA, Part F
- 34 CFR 600.2
- *Student Financial Aid Handbook: Student Eligibility*
- *FISAP Instructions Booklet*

broken down. Backup documentation for Section E must be maintained at the institution.

Information is reported for students who enrolled at the institution for the previous award year and applied for financial aid for that year. Any student who meets the definition of an "eligible aid applicant" must be included, even if the student received no financial aid funds.

An "eligible aid applicant" is a regular student who:

- was enrolled in an academic or training program eligible for the campus-based program during the previous award year;
- met citizenship or residency requirements for the previous award year;
- applied for financial aid for the previous award year, as documented by the "official" Expected Family Contribution (EFC) calculated by the Central Processing System (CPS); *and*
- has on file all the information needed to perform a needs analysis based on required information in the HEA.

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Expires 03/31/2002

APPLICATION, PART II
NAME OF INSTITUTION: ______________________ DUNS# ____________
STATE: __

PART II. APPLICATION TO PARTICIPATE FOR AWARD YEAR JULY 1, 2000 THROUGH JUNE 30, 2001

SECTION A. REQUEST FOR FUNDS FOR THE 2000-2001 AWARD YEAR

1. FEDERAL PERKINS LOAN LEVEL OF EXPENDITURES $ ______

2. FEDERAL PERKINS LOAN FEDERAL CAPITAL CONTRIBUTION $ ______

3. FSEOG FEDERAL FUNDS $ ______

4. FWS FEDERAL FUNDS $ ______

SECTION B. RESERVED FOR FUTURE USE

5. RESERVED FOR FUTURE USE

SECTION C. FWS AND/OR FSEOG INSTITUTIONAL SHARE WAIVER REQUEST

(APPLIES ONLY TO CERTAIN INSTITUTIONS: SEE INSTRUCTIONS)

6. MY INSTITUTION WISHES TO APPLY FOR A WAIVER BECAUSE OUR INSTITUTION IS DESIGNATED AS ELIGIBLE FOR TITLE III.

6.1 FWS __ YES __ NO

6.2 FSEOG __ YES __ NO

SECTION D. FEDERAL PERKINS LOAN PROGRAM LIQUIDATION REQUEST

(APPLIES ONLY TO CERTAIN INSTITUTIONS: SEE INSTRUCTIONS)

7. MY INSTITUTION WISHES TO DISCONTINUE PARTICIPATION IN THE FEDERAL PERKINS LOAN PROGRAM.

__ YES __ NO

SECTION E. WAIVER REQUEST FOR THE UNDER USE OF FUNDS

MY INSTITUTION HAS RETURNED MORE THAN 10 PERCENT OF ITS FEDERAL PERKINS LOAN, FSEOG, OR FWS ALLOCATION FOR THE 1998-1999 AWARD YEAR.

8. MY INSTITUTION WISHES TO APPLY FOR A WAIVER OF THE PENALTY FOR THE UNDER USE OF FUNDS AND HAS PROVIDED A WRITTEN EXPLANATION OF THE CIRCUMSTANCES ON THE ADDITIONAL INFORMATION SCREEN.

__ YES __ NO

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APPLICATION, PART II
NAME OF INSTITUTION: ______________________________ DUNS# ______________
STATE: __

SECTION F. INFORMATION ON ENROLLMENT

9. MY INSTITUTION HAS A TRADITIONAL CALENDAR __YES __NO

INSTITUTIONS WITH A TRADITIONAL CALENDAR THAT HAD 1998-1999 ENROLLMENT, FILL IN FIELD 10

	(A) UNDERGRADUATE	(B) GRADUATE/PROFESSIONAL
10. TOTAL NUMBER OF STUDENTS, 1998-1999	______	______

INSTITUTIONS THAT DID NOT HAVE 1998-1999 ENROLLMENT, FILL IN FIELDS 11 AND 12

	(A) UNDERGRADUATE	(B) GRADUATE/PROFESSIONAL
11. ESTIMATED NUMBER OF STUDENTS, 1999-2000	______	______
12. PROJECTED NUMBER OF STUDENTS, 2000-2001	______	______

INSTITUTIONS WITH A NON-TRADITIONAL CALENDAR THAT HAD 1998-1999 ENROLLMENT, FILL IN FIELDS 13 THROUGH 25

	(A) CONTINUING STUDENTS	(B) NEW STARTS
13. JULY 1 ,1998	______	______
14. AUGUST 1	______	______
15. SEPTEMBER 1	______	______
16. OCTOBER 1	______	______
17. NOVEMBER 1	______	______
18. DECEMBER 1	______	______
19. JANUARY 1 ,1999	______	______
20. FEBRUARY 1	______	______
21. MARCH 1	______	______
22. APRIL 1	______	______
23. MAY 1	______	______
24. JUNE 1, 1999	______	______
25. TOTAL	______	______

SECTION G. ASSESSMENTS AND EXPENDITURES

	(A) UNDERGRADUATE	(B) GRADUATE/PROFESSIONAL
26. TOTAL TUITION AND FEES FOR THE AWARD YEAR JULY 1, 1998 - JUNE 30, 1999	$ ______	$ ______
27. TOTAL FEDERAL PELL GRANT EXPENDITURES FOR THE 1998-1999 AWARD YEAR	$ ______	
28. TOTAL EXPENDED FOR STATE GRANTS AND SCHOLARSHIPS MADE TO UNDERGRADUATES FOR THE AWARD YEAR JULY 1, 1998 TO JUNE 30 , 1999	$ ______	

SECTION H. INFORMATION ON ELIGIBLE AID APPLICANTS FOR AWARD YEAR 1998-1999

	DEPENDENT			INDEPENDENT		
	(A)	(B) UNDERGRADUATE/ BACCALAUREATE	(C)	(D) UNDERGRADUATE/ BACCALAUREATE	(E)	(F) GRADUATE/ PROFESSIONAL
	WITHOUT 1ST PROFESSIONAL	WITH DEGREE	LESS THAN FULL TIME	WITHOUT 1ST PROFESSIONAL	WITH DEGREE	
29. STUDENTS WITH AN "AUTOMATIC" ZERO EFC	______	______	______	______	______	______

TAXABLE & UNTAXED INCOME

	(A)	(B)	(C)
30. $ 0 - $ 2,999	______	______	______
31. $ 3,000 - $ 5,999	______	______	______
32. $ 6,000 - $ 8,999	______	______	______
33. $ 9,000 - $11,999	______	______	______
34. $12,000 - $14,999	______	______	______
35. $15,000 - $17,999	______	______	______
36. $18,000 - $23,999	______	______	______
37. $24,000 - $29,999	______	______	______
38. $30,000 - $35,999	______	______	______
39. $36,000 - $41,999	______	______	______
40. $42,000 - $47,999	______	______	______
41. $48,000 - $53,999	______	______	______
42. $54,000 - $59,999	______	______	______
43. $60,000 & OVER	______	______	______
44. TOTAL	______	______	______

TAXABLE & UNTAXED INCOME

	(D)	(E)	(F)
$ 0 - $ 999	______	______	______
$ 1,000 - $ 1,999	______	______	______
$ 2,000 - $ 2,999	______	______	______
$ 3,000 - $ 3,999	______	______	______
$ 4,000 - $ 4,999	______	______	______
$ 5,000 - $ 5,999	______	______	______
$ 6,000 - $ 7,999	______	______	______
$ 8,000 - $ 9,999	______	______	______
$10,000 - $11,999	______	______	______
$12,000 - $13,999	______	______	______
$14,000 - $15,999	______	______	______
$16,000 - $17,999	______	______	______
$18,000 - $19,999	______	______	______
$20,000 & OVER	______	______	______
TOTAL	______	______	______

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Part III: Federal Perkins Loan Program

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Note: The Federal Perkins Loan Program was formerly referred to as the National Direct Student Loan Program and the National Defense Student Loan Program. Some schools report information on the FISAP about borrowers who received loans under one of these former program names. This discussion uses the name "Federal Perkins Loan Program" to refer to loans made under any of the three program names.

Part III* must be completed if:

- a school is a continuing participant in the Federal Perkins Loan Program;
- a school is liquidating its Federal Perkins Loan fund;**
- a school did not receive a Federal Capital Contribution (FCC) for the previous award year but did make loans from its Federal Perkins Loan fund;** *or*
- a school received Federal Perkins Loan funds for the first time in the previous award year.

***A school will need its Federal Perkins Loan Program account ledgers to complete Part III of the FISAP.**

Reference:

- DCL-CB-98-11 (LD)

****If your school is liquidating its Federal Perkins Loan fund or if your school did not receive FCC for the award year of the report, refer to page 8 of the *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet* for further information.**

If the school has set up its Federal Perkins Loan accounts as recommended in Chapter 5 of this book, the information needed to complete this part should be readily available. Although schools may use different account-numbering systems, the Federal Perkins Loan fund account should contain subsidiary accounts that correspond to appropriate line items in Part III.

If a school contracts with a third-party servicer to collect and manage Federal Perkins Loan funds, the school is still responsible for the accuracy of the information reported to it by that servicer. Any fiscal reports provided by a servicer should be checked against the school's Federal Perkins Loan fund accounts and student records before being used to complete Part III of the FISAP.

Section A: Cumulative Fiscal Report

This section is a historical report of a school's Federal Perkins Loan fund activity from the inception of the program at the school through June 30 of the most recently ended award year. This report is the balance sheet for the school's Federal Perkins Loan fund, and *it must balance.* Institutions that close the amounts in each of the income and expense accounts to the fund balance each fiscal year will need to maintain a separate record of the *cumulative* income and expenses since the inception of the program at their schools to prepare this section.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

The field numbers in the left margin of Part III, Section A, do not correspond to the Federal Perkins Loan ledger account numbers used in Chapter 5 of this book. Because the field numbers in this section of the FISAP often change from one year to the next year, this discussion refers to items on the FISAP balance sheet and the account number and title of the corresponding school ledger account.

Several field items in this section ask for the number of borrowers. This is an unduplicated, cumulative count of borrowers in the category represented by the field item.

- For example, under the field item, "Loan Principal Collected," the number of borrowers would be the unduplicated, cumulative count of the number of borrowers who made payments on their loans. In other words, if a borrower is making payments on two loans, that borrower is counted only once.

Additional information about the items in this section can be found in the current version of the FISAP instructions, which is sent to schools in July of every year.

Field 1.1: *Cash on Hand and in Depository as of 6/30/99*: Account # 1-1, Cash, Federal Perkins Loans

Field 1.2: *Cash on Hand and in Depository as of 10/31/99*: Account # 1-1, Cash, Federal Perkins Loans

Field 2: *Funds Receivable from Federal Government*

Field 3: *Funds Receivable from Institution*: Account # 6-2, Funds Transferred from Institution - Perkins - ICC

Field 4: *Funds Advanced to Students*: Account # 1-2, Funds Advanced to Students

Field 5: *Loan Principal Collected*: Account # 2-1, Loan Principal Collected

Field 6: *Defaulted Loan Principal Assigned to and Accepted by the United States*: Account # 2-2, Defaulted Loan Principal - Assigned to Federal Government

Field 7: *Total Loan Principal Cancelled on Loans Made Prior to 7/1/72 for Teaching/Military Service*: The sum of accounts:

- # 2-3 Loan Principal Cancelled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72

- # 2-4 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72
- # 2-5 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72

Field 8: *Loan Principal Cancelled for Certain Subject Matter Teaching Service (Math, Science, Foreign Languages, Bilingual Education) on Loans Made 7/23/92 and After.* The sum of accounts:

- # 2-9 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After
- # 2-10 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After
- # 2-11 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After

Field 9: *Loan Principal Cancelled for All Other Authorized Teaching Service on Loans Made 7/1/72 and After.* The sum of accounts:

- # 2-6 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made 7/1/72 and After
- # 2-7 Loan Principal Cancelled - Teaching Service (20% Rate), Loans Made 7/1/72 and After
- # 2-8 Loan Principal Cancelled - Teaching Service (30% Rate), Loans Made 7/1/72 and After
- # 2-18 Loan Principal Cancelled - Head Start (15% Rate)

Field 10: *Loan Principal Cancelled for Military Service on Loans Made 7/1/72 and After:* Account #2-12, Loan Principal Cancelled - Military Service (12.5% rate), Loans Made 7/1/72 and After

Field 11: *Loan Principal Cancelled for Volunteer Service:* The sum of accounts:

- # 2-16 Loan Principal Cancelled - Peace Corps or VISTA (15% Rate)

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- # 2-17 Loan Principal Cancelled - Peace Corps or VISTA (20% Rate)
- # 2-19 Loan Principal Cancelled - Volunteer Service (15% Rate)
- # 2-20 Loan Principal Cancelled - Volunteer Service (20% Rate)

Field 12: *Loan Principal Cancelled for Law Enforcement and Corrections Officer Service:* The sum of accounts:

- # 2-21 Loan Principal Cancelled - Law Enforcement and Corrections Officer Service (15% Rate)
- # 2-22 Loan Principal Cancelled - Law Enforcement and Corrections Officer Service (20% Rate)

Field 13: *Loan Principal Cancelled for Child/Family/Early Intervention Service on Loans Made 7/23/92 and After:* The sum of accounts:

- # 2-26 Loan Principal Cancelled - Child/Family and Early Intervention Service (15% Rate)
- # 2-27 Loan Principal Cancelled - Child/Family and Early Intervention Service (20% Rate)
- # 2-28 Loan Principal Cancelled - Child/Family and Early Intervention Service (30% Rate)

Field 14: *Loan Principal Cancelled for Nurse/Medical Technician Service on Loans Made 7/23/92 and After:* The sum of accounts:

- # 2-23 Loan Principal Cancelled - Nurse/Medical Technician (15% Rate)
- # 2-24 Loan Principal Cancelled - Nurse/Medical Technician (20% Rate)
- # 2-25 Loan Principal Cancelled - Nurse/Medical Technician (30% Rate)

Field 15: *Loan Principal Cancelled, Death/Disability:* The sum of accounts:

- # 2-13 Loan Principal Cancelled - Death
- # 2-14 Loan Principal Cancelled - Disability

Field 16: *Loan Principal Cancelled, Bankruptcy:* Account # 2-15, Loan Principal Cancelled - Bankruptcy

Field 17*: *Loan Principal Cancelled for Loans Discharged Due to Closed Schools*

***Field 17 has been added to the FISAP; it is to be filled in by closed schools.**

(Note: ED expects a school to file a FISAP for the award year the school closed.)

Field 18: *Loan Principal Adjustments, Other:* Account # 2-29, Loan Principal Adjustments - Other

Field 19: *Federal Capital Contributions:* Account # 4-1, Federal Fund Balance

Field 20: *Repayments of Fund Capital to Federal Government:* Account # 6-7, Repayments to Federal Government

Field 21: *Institutional Capital Contributions:* Account # 4-2, Institutional Fund Balance

Field 22: *Repayments of Fund Capital to Institution:* Account # 6-8, Repayments to Institution

Field 23: *Interest Income on Loans:* Account # 6-3, Interest Earned on Loans

Field 24: *Other Income:* The sum of accounts:

- # 6-4 Other Earnings - Late Charges on Loans Made 7/1/87 and After
- # 6-5 Other Earnings - Miscellaneous

Field 25: *Reimbursements to the Fund of Amounts Cancelled on Loans Made 7/1/72 and After:* Account # 6-6, Reimbursement of Amounts Cancelled on Loans Made 7/1/72 and After

Field 26.1: *Administrative Cost Allowance:* Account # 7-2, Administrative Cost Allowance (ACA) Paid to Institution

Field 26.2: *Collection Costs:* Account # 7-3, Other Collection Expenses

Field 26.3: *Administrative Cost Allowance and Collection Costs (Control):* The sum of accounts # 7-2 and 7-3

Field 27: *Cost of Loan Principal and Interest Cancelled for Teaching/Military Service on Loans Made Prior to 7/1/72:* The sum of accounts:

- # 7-4 Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made Prior to 7/1/72
- # 7-6 Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made Prior to 7/1/72

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Field 28: *Cost of Principal and Interest Canceled for Certain Subject Matter Teaching Service (Math, Science, Foreign Languages, Bilingual Education) on Loans Made 7/23/92 and After*

Field 29: *Cost of Principal and Interest Canceled for All Other Authorized Teaching Service on Loans Made 07/01/1972 and After*

Field 30: *Cost of Loan Principal and Interest Cancelled for Military Service on Loans Made 7/1/72 and After*: Account # 7-8, Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made 7/1/72 and After

Field 31: *Cost of Loan Principal and Interest Cancelled for Volunteer Service in the Peace Corps or under the Domestic Volunteer Service Act of 1973*: The sum of accounts:

- # 7-12 Cost of Loan Principal and Interest Cancelled - Peace Corps or VISTA
- # 7-14 Cost of Loan Principal and Interest Cancelled - Volunteer Service

Field 32: *Cost of Loan Principal and Interest Cancelled for Law Enforcement and Corrections Officer Service*: Account # 7-15, Cost of Loan Principal and Interest Cancelled - Law Enforcement and Corrections Officer Service

Field 33: *Cost of Loan Principal and Interest Cancelled for Child/Family and Early Intervention Service on Loans Made 7/23/92 and After*: Account # 7-17, Cost of Loan Principal and Interest Cancelled - Child/Family and Early Intervention Service`

Field 34: *Cost of Loan Principal and Interest Cancelled for Nurse/Medical Technician Service on Loans Made 7/23/92 and After*: Account # 7-16, Cost of Loan Principal and Interest Cancelled - Nurse/Medical Technician

Field 35: *Cost of Principal and Interest Cancelled Because of Death/Disability*: The sum of accounts:

- # 7-9 Cost of Loan Principal and Interest Cancelled - Death
- # 7-10 Cost of Loan Principal and Interest Cancelled - Disability

Field 36: *Cost of Principal and Interest Cancelled Because of Bankruptcy*: Account # 7-11, Cost of Loan Principal and Interest Cancelled - Bankruptcy

Field 37: *Cost of Loan Principal and Interest Assigned to and Accepted by the United States*: Account # 7-18, Cost of Defaulted Loan Principal and Interest Assigned to Federal Government

New

***Field 38 has been added to the FISAP; it is to be filled in by closed schools.**

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

****The amount released applies to any amounts released to ED prior to September 30th.**

Field 38*: *Cost of Loan Principal Due and Interest Canceled for Loans Discharged Due to Closed Schools*

Field 39: *Other Costs or Losses:* Account # 7-19, Other Costs or Losses

Field 40: *Total Debits and Credits:* Sum of fields 1-39

Section B: Annual Fund Activity

In *Field 1* of this section, a school reports the final adjusted Federal Capital Contribution (FCC) authorization.

Amount of school's original allocation for the previous award year

+ any supplemental allocation amounts received for the year

- any allocation amounts released** for the year

Final adjusted FCC authorization

In *Field 2*, FCC transferred to and spent in Federal Supplemental Educational Opportunity Grant (FSEOG) Program and Federal Work-Study (FWS) Program must be reported. The sum of amounts transferred to and spent in both programs may not exceed 25 percent of a school's total FCC allocation. Any FCC transferred to FSEOG or FWS must be entered in GAPS as an expenditure against the school's Federal Perkins Loan authorization, *not* against its authorization for FSEOG or FWS.

In *Field 3*, schools must report the amount of final adjusted authorized FCC for the previous award year that was not requested (drawn down) from GAPS by the end of the year. (Schools may not request FCC after June 30 of a given award year.) Authorized FCC amounts that are not requested will be deducted from funds available in a school's GAPS's grantee account.

In *Field 4*, the amount of Institutional Capital Contribution (ICC) deposited into a school's Federal Perkins Loan fund for the previous award year must be reported.

In *Field 5*, schools must report the amount of loans advanced to students which is the net amount of loans made to borrowers from a school's Federal Perkins Loan fund during the previous award year. The amount of loans advanced should equal the total amount of loans paid to borrowers during the year *minus* any refunds or repayments of loans made during the year. Refunds or repayments of prior year loans are not included.

If a school took its entire Federal Perkins Loan ACA or a portion of it from an FSEOG or FWS allocation from a prior award year, and the school recovered Federal Perkins Loan funds in the award year of the report, which were issued to students in a prior award year, the school must reduce its Federal Perkins Loan ACA for that prior award year. The school may:

- follow FSEOG or FWS procedures for handling prior-year recoveries *or*

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- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

- make no adjustments to FSEOG or FWS prior-year recoveries.

Instead, the school may reduce the base amount on which the ACA for the reporting year is calculated. Refer to the example on page 17 of the *FISAP Instructions Booklet* to perform this reduction.

In *Field 6*, administrative cost allowance (ACA) must be reported. ACA is the amount withdrawn from a school's Federal Perkins Loan fund to cover the cost of administering one or more Title IV campus-based programs.

In *Field 7*, schools must report the total amount of principal and interest repaid by borrowers from all sources during the previous award year, as well as an unduplicated count of borrowers who made payments (in other words, a borrower with two loans is counted only once). The total dollar amount repaid includes:

- all amounts received as payments against borrowers' loans, regardless of the source of the payment,
- any portion of a payment kept by a collection agency, and
- penalty charges or late fees collected and deposited into the school's Federal Perkins Loan fund.

The total dollar amount repaid does *not* include:

- collection-firm charges due as collection costs that are over and above the amount of principal and interest collected *or*
- interest received from any investments.

Finally, *Field 8* requires a school to report the name, title, and office telephone number of the school loan officer responsible for Federal Perkins Loan collections if this is a person other than the financial aid administrator or fiscal officer who signs the FISAP.*

***The field requesting the name and address of the billing agent(s) has been eliminated in the FISAP Report for 1998-99.**

Section C: Cumulative Repayment Information

This section analyzes the repayment status of all of a school's past and present Federal Perkins Loan borrowers as of the end of the previous award year. It collects information on the number of borrowers in various repayment categories, the amount lent, and the outstanding principal amount of their loans. When counting borrowers, schools should count the number of actual borrowers, not the number of loans made. Some borrowers may have received more than one Federal Perkins Loan.

If a borrower has more than one loan and the loans fall into more than one repayment category, dollar figures for each loan should be reported in the field that describes the status of that loan. For example, a borrower might have one Perkins Loan that is paid in full and another Perkins Loan that is still in repayment. The amount of the first loan would be reported under "borrowers whose loans are fully retired," while the amount of the second loan would be reported under "borrowers on schedule in repayment." In

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

any case, a borrower should be counted only once and reported in the "number of borrowers" column and the category where his or her principal amount outstanding is the greatest. In the example above, that category would be "borrowers on schedule in repayment."

In *Field 1.1*, schools report borrowers whose loans are fully retired (borrowers whose loans have been completely repaid or cancelled).

This category includes loans that were retired after the remaining outstanding principal was written off.

In *Field 1.2*, schools report loans that have been purchased.* Of the loans included in *Field 1.1* as fully retired, schools report the outstanding principal balance, all interest due, and any collection fees due on all loans submitted for assignment that were not accepted, and for which the school reimbursed the Perkins Loan fund. This entry is used for liquidation purposes.

***If a school is liquidating its Federal Perkins Loan portfolio, ED will not consider the school to have fully liquidated it unless the school purchases or assigns all loans with a principal amount outstanding to ED.**

In *Field 2*, schools report borrowers whose defaulted notes were assigned and accepted (borrowers whose defaulted loans were assigned by a school and officially accepted by ED as of the end of the previous award year). Total principal amount outstanding for these loans is the amount that was outstanding when the loans were assigned to and accepted by ED. The amount may not include any penalty charges or late fees assigned to ED for collection *or* any payments a school might have received from borrowers after ED accepted their loans. Payments received by a school after a loan is assigned (to ED) must be sent directly to ED.**

****These payments must be sent to:**

National Payment Center
Perkins Loan (NDSL)
P.O. Box 4169
Greenville, TX 75403-4169

In *Field 3*, schools report all borrowers not in repayment (borrowers attending an eligible postsecondary school at least half time and those borrowers whose loans are in a grace period or in deferment). This includes borrowers attending the school that made the loans, borrowers attending other schools under an authorized in-school deferment, and borrowers whose loans are in an initial or post-deferment grace period.

- For all NDSL loans made on or after October 1, 1980 and before July 1, 1993, a borrower is also entitled to a 6-month post-deferment grace period after each of the deferments that apply to those loans except after a hardship deferment. Neither the deferment nor the post-deferment grace is counted as part of the 10-year repayment period.

Reference:

- *The Federal Student Financial Aid Handbook: Campus-Based Programs*
- 34 CFR 674.37

In *Field 4*, schools report borrowers making loan payments on schedule as well as the total principal amount outstanding on these loans.

In *Field 5.1*, schools report borrowers in default less than 240 days (monthly installments) or 270 days (other installments).

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

In *Field 5.2*, schools report borrowers in default 240 days or more (monthly installments) *or* 270 days or more (other installments) up to 2 years.

In *Field 5.3*, schools report borrowers in default more than 2 years and up to 5 years.

In *Field 5.4*, schools report borrowers in default more than 5 years.

Cohort Default Rate

Several terms must be defined for a school to accurately calculate its Federal Perkins Loan cohort default rate.

A borrower *enters repayment* the day after an initial grace period ends or the day the borrower waives the initial grace period. The start date of the repayment period does not change if a deferment or cancellation is granted after the borrower enters repayment.

Reference:

- 34 CFR 674.2(b)

A loan is *in default* if a borrower fails to make a scheduled installment payment on time or fails to comply with other terms of the signed promissory note. For the purpose of calculating a cohort default rate, default is in effect when payment is not made for 240 days for loans repaid in monthly installments and 270 days for other loans. A loan is still considered to be in default if, in order to avoid the default, a borrower's payment is made by an institution, its owner, an agency, a contractor, an employee, or any other entity or individual affiliated with the institution.

A loan is *not in default* if a borrower has:

- made six consecutive voluntary monthly payments,
- brought the loan current,
- paid the loan in full,
- received a retroactive deferment or forbearance, *or*
- had the loan rehabilitated or cancelled.

Section D: Institutions With 30 or More Borrowers Who Entered Repayment in the 1997-98 Award Year for the Cohort Default Rate

Fields 1.1 - 1.3 in Section D should only be completed by schools that have 30 or more borrowers who entered repayment in the 1997-98 award year.

Section E: Institutions With Less Than 30 Borrowers Who Entered Repayment in the 1997-98 Award Year for the Cohort Default Rate

Fields 2.1 - 2.5 in Section E should only be completed by schools that have fewer than 30 borrowers* who entered repayment in the 1997-98 award year.

New

***The FISAP now asks schools to indicate "Yes" or "No" when asked if they have had fewer than 30 borrowers who entered repayment.**

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

ED form 46-1
OMB No 1840-0073
Expires 03/31/2002

FISCAL OPERATIONS REPORT, PART III
NAME OF INSTITUTION ____________________ DUNS # ____________
STATE: __
PART III. FEDERAL PERKINS LOAN PROGRAM, SECTION A - FISCAL REPORT (CUMULATIVE) AS OF JUNE 30, 1999

FIELD	ITEM	(A)	NO OF BORROWERS (B)	DEBIT BALANCES (C)	CREDIT BALANCES (D)
1.1	CASH ON HAND AND IN DEPOSITORY AS OF 6/30/1999			$ ____	
1.2	CASH ON HAND AND IN DEPOSITORY AS OF 10/31/1999	$ ____			
2	FUNDS RECEIVABLE FROM FEDERAL GOVERNMENT			$ ____	
3	FUNDS RECEIVABLE FROM INSTITUTION			$ ____	
4	FUNDS ADVANCED TO STUDENTS		____	$ ____	
5	LOAN PRINCIPAL COLLECTED		____		$ ____
6	LOAN PRINCIPAL ASSIGNED TO AND ACCEPTED BY THE UNITED STATES		____		$ ____
7	TOTAL LOAN PRINCIPAL CANCELED ON LOANS MADE PRIOR TO 07/01/1972 FOR TEACHING/MILITARY SERVICE		____		$ ____
8	LOAN PRINCIPAL CANCELED FOR CERTAIN SUBJECT MATTER TEACHING SERVICE MATH, SCIENCE, FOREIGN LANGUAGES, BILINGUAL EDUCATION)		____		$ ____
9	LOAN PRINCIPAL CANCELED FOR ALL OTHER AUTHORIZED TEACHING SERVICE		____		$ ____
10	LOAN PRINCIPAL CANCELED FOR MILITARY SERVICE ON LOANS MADE 07/01/1972 AND AFTER		____		$ ____
11	LOAN PRINCIPAL CANCELED FOR VOLUNTEER SERVICE		____		$ ____
12	LOAN PRINCIPAL CANCELED FOR LAW ENFORCEMENT AND CORRECTIONS OFFICER SERVICE		____		$ ____
13	LOAN PRINCIPAL CANCELED FOR CHILD/FAMILY/EARLY INTERVENTION SERVICE		____		$ ____
14	LOAN PRINCIPAL CANCELED FOR NURSE/MEDICAL TECHNICIAN SERVICE		____		$ ____
15	LOAN PRINCIPAL CANCELED - DEATH/DISABILITY		____		$ ____
16	LOAN PRINCIPAL CANCELED - BANKRUPTCY		____		$ ____
17	LOAN PRINCIPAL CANCELED FOR LOANS DISCHARGED DUE TO CLOSED SCHOOLS		____		$ ____
18	LOAN PRINCIPAL ADJUSTMENTS - OTHER		____		$ ____
19	FEDERAL CAPITAL CONTRIBUTIONS				$ ____
20	REPAYMENTS OF FUND CAPITAL TO FEDERAL GOVERNMENT			$ ____	
21	INSTITUTIONAL CAPITAL CONTRIBUTIONS				$ ____
22	REPAYMENTS OF FUND CAPITAL TO INSTITUTION			$ ____	
23	INTEREST INCOME ON LOANS				$ ____
24	OTHER INCOME				$ ____
25	REIMBURSEMENTS TO THE FUND OF AMOUNTS CANCELED ON LOANS MADE 07/01/1972 AND AFTER				$ ____
26.1	ADMINISTRATIVE COST ALLOWANCE	$ ____			
26.2	COLLECTION COSTS	$ ____			
26.3	ADMINISTRATIVE COST ALLOWANCE AND COLLECTION COSTS (CONTROL)			$ ____	
27	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR TEACHING/MILITARY SERVICE ON LOANS MADE PRIOR TO 07/01/1972			$ ____	
28	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR CERTAIN SUBJECT MATTER TEACHING SERVICE (MATH, SCIENCE, FOREIGN LANGUAGES, BILINGUAL EDUCATION)			$ ____	
29	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR ALL OTHER AUTHORIZED TEACHING SERVICE ON LOANS MADE 07/01/1972 AND AFTER			$ ____	
30	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR MILITARY SERVICE ON LOANS MADE 07/01/1972 AND AFTER			$ ____	
31	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR VOLUNTEER SERVICE IN THE PEACE CORPS OR UNDER THE DOMESTIC VOLUNTEER SERVICE ACT OF 1973			$ ____	
32	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR LAW ENFORCEMENT AND CORRECTIONS OFFICER SERVICE			$ ____	
33	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR CHILD/FAMILY/EARLY INTERVENTION SERVICE			$ ____	
34	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR NURSE/MEDICAL TECHNICIAN SERVICE			$ ____	
35	COST OF LOAN PRINCIPAL AND INTEREST CANCELED BECAUSE OF DEATH/DISABILITY			$ ____	
36	COST OF LOAN PRINCIPAL AND INTEREST CANCELED BECAUSE OF BANKRUPTCY			$ ____	
37	COST OF LOAN PRINCIPAL AND INTEREST ASSIGNED TO AND ACCEPTED BY THE UNITED STATES			$ ____	
38	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR LOANS DISCHARGED DUE TO CLOSED SCHOOLS			$ ____	
39	OTHER COSTS OR LOSSES			$ ____	
40	TOTAL DEBITS AND CREDITS (SUM OF FIELDS 1 THROUGH 39)			$ ____	$____

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Expires 03/31/2002

FISCAL OPERATIONS REPORT, PART III
NAME OF INSTITUTION ______________________________ DUNS # ______________
STATE: __

SECTION B. FUND ACTIVITY (ANNUAL) DURING THE 1998-1999 AWARD YEAR (JULY 1, 1998 THROUGH JUNE 30, 1999)

		AMOUNT
1.	FINAL ADJUSTED FEDERAL CAPITAL CONTRIBUTION (FCC) AUTHORIZATION	$ ______
2.	FCC TRANSFERRED TO:	
	a. FSEOG	$ ______
	b. FWS	$ ______
3.	AMOUNT OF ADJUSTED AUTHORIZED FEDERAL CAPITAL CONTRIBUTION FOR AWARD YEAR 1998-1999 NOT REQUESTED FROM GAPS BY JUNE 30, 1999 (YOUR AWARD WILL BE REDUCED BY THIS AMOUNT NEXT SPRING. SEE INSTRUCTIONS)	$ ______
4.	INSTITUTIONAL CAPITAL CONTRIBUTION (ICC) DEPOSITED INTO THE LOAN FUND BETWEEN JULY 1, 1998 AND JUNE 30, 1999.	$ ______
5.	LOANS ADVANCED TO STUDENTS FROM THE LOAN FUND DURING THE 1998-1999 AWARD YEAR (MINUS 1998-1999 AWARD YEAR REFUNDS)	$ ______
6.	ADMINISTRATIVE COST ALLOWANCE CLAIMED FOR THE 1998-1999 AWARD YEAR (SEE INSTRUCTIONS)	$ ______

		NUMBER OF BORROWERS (A)	AMOUNT (B)
7.	TOTAL PRINCIPAL AND INTEREST REPAID BY BORROWERS FROM ALL SOURCES DURING THE 1998-1999 AWARD YEAR	______	$ ______

8. IF YOUR INSTITUTION HAS A LOAN OFFICER RESPONSIBLE FOR ADMINISTERING FEDERAL PERKINS LOAN PROGRAM COLLECTIONS (OTHER THAN THE FINANCIAL AID ADMINISTRATOR OR CHIEF FISCAL OFFICER IDENTIFIED IN PART I, SECTION B), PROVIDE THE FOLLOWING INFORMATION:

NAME: ______________________
TITLE: ______________________
TELEPHONE NUMBER: (__) ___-___
(INCLUDING AREA CODE)

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FISCAL OPERATIONS REPORT, PART III
NAME OF INSTITUTION: ______________________________ DUNS # ____________
STATE: __

SECTION C - CUMULATIVE REPAYMENT INFORMATION AS OF JUNE 30, 1999

STATUS OF BORROWERS AS OF JUNE 30, 1999 (A)	NUMBER OF BORROWERS (B)	AMOUNT LENT (C)	PRINCIPAL AMOUNT OUTSTANDING (D)
1.1 BORROWERS WHOSE LOANS ARE FULLY RETIRED	____	____	
1.2 LOANS THAT HAVE BEEN PURCHASED $____			
2. BORROWERS WHOSE LOANS WERE ASSIGNED TO AND OFFICIALLY ACCEPTED BY THE DEPARTMENT OF EDUCATION AS OF JUNE 30, 1999	____	____	____
3 TOTAL BORROWERS NOT IN REPAYMENT STATUS	____		____
4. BORROWERS ON SCHEDULE IN REPAYMENT STATUS	____		____
5.1 IN DEFAULT LESS THAN 240 DAYS (MONTHLY INSTALLMENTS) OR LESS THAN 270 DAYS (OTHER INSTALLMENTS)	____	____	____
5.2 IN DEFAULT 240 DAYS OR MORE (MONTHLY INSTALLMENTS) OR 270 DAYS OR MORE (OTHER INSTALLMENTS), UP TO 2 YEARS	____	____	____
5.3 IN DEFAULT MORE THAN 2 YEARS, UP TO 5 YEARS	____	____	____
5.4 IN DEFAULT MORE THAN 5 YEARS	____	____	____

COHORT DEFAULT RATE

MY INSTITUTION HAD LESS THAN 30 BORROWERS WHO ENTERED REPAYMENT IN THE 1997-1998 AWARD YEAR ___ YES ___ NO

SECTION D. INSTITUTIONS WITH 30 OR MORE BORROWERS WHO ENTERED REPAYMENT IN THE 1997-1998 AWARD YEAR:

1.1 NUMBER OF BORROWERS WHO ENTERED REPAYMENT IN 1997-1998	0
1.2 ENTER THE NUMBER OF BORROWERS IN FIELD 1.1 ABOVE WITH LOANS IN DEFAULT BY JUNE 30, 1999	0
1.3 COHORT DEFAULT RATE (FIELD 1.2 /FIELD 1.1 * 100)	0.0

SECTION E. INSTITUTIONS WITH LESS THAN 30 BORROWERS WHO ENTERED REPAYMENT IN THE 1997-1998 AWARD YEAR:

2.1 NUMBER OF BORROWERS WHO ENTERED REPAYMENT IN:		2.2 NUMBER OF BORROWERS WITH LOANS IN DEFAULT BY:	
(a) 1995-1996 (07/01/1995 - 06/30/1996)	0	(a) JUNE 30, 1997 (THOSE IN 2.1(a) ONLY)	0
(b) 1996-1997 (07/01/1996 - 06/30/1997)	0	(b) JUNE 30, 1998 (THOSE IN 2.1(b) ONLY)	0
(c) 1997-1998 (07/01/1997 - 06/30/1998)	0	(c) JUNE 30, 1999 (THOSE IN 2.1(c) ONLY)	0

2.3 TOTAL NUMBER OF BORROWERS WHO ENTERED REPAYMENT DURING THE THREE YEARS (2.1(a) + 2.1(b) + 2.1(c))	0
2.4 TOTAL NUMBER OF BORROWERS WITH LOANS IN DEFAULT (2.2(a) + 2.2(b) + 2.2(c))	0
2.5 COHORT DEFAULT RATE (FIELD 2.4 /FIELD 2.3 * 100)	0.0

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Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Part IV: Federal Supplemental Educational Opportunity Grant (FSEOG) Program

A school must complete Part IV if it received Federal Supplemental Educational Opportunity Grant (FSEOG) Program funds for the previous award year. This part summarizes the school's use of FSEOG funds during that year.

Section A: Federal Funds Authorized for FSEOG

A school reports its FSEOG authorization and any changes in *Field 1* of Section A.

Amount of school's original allocation for the previous award year

+ any supplemental allocation amounts received for the year

- any allocation amounts released for the year*

Final adjusted FSEOG authorization

***The amount released applies to any amount released to ED prior to September 30th.**

Section B: Federal Funds Available for FSEOG Expenditures

Section B is used to calculate federal funds available for a school's FSEOG expenditures in the previous award year.

Final adjusted FSEOG authorization

+ Federal Work-Study (FWS) funds transferred to and spent in FSEOG**

+ Federal Perkins Loan Federal Capital Contribution (FCC) funds transferred to and spent in FSEOG**

+ FSEOG funds carried back

+ Additional FSEOG funds carried back and spent for summer enrollment through June 30th of the reporting year

- FSEOG funds carried forward

Federal funds available for FSEOG expenditure

****FWS or Perkins funds transferred to FSEOG are reported in GAPS in the program they were authorized. Also, if a school transfers its Perkins funds before depositing them in its Federal Perkins Loan fund, the school does not have to match these transferred funds with its own institutional funds.**

In *Field 2*, a school must enter the amount of FWS funds transferred to FSEOG. This amount must have been spent in FSEOG. Any unspent amount must be returned to FWS. The maximum amount that may be transferred from FWS to FSEOG is 25 percent of the school's original and supplemental FWS allocations for the award year being reported. *The amount in this field must be the same as the entry in Field 3 of Part V.*

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A school must also report in *Field 3* the amount of Federal Perkins Loan FCC transferred to FSEOG. This amount must have been spent in FSEOG. Any unspent amount must be returned to the Federal Perkins Loan fund. The maximum amount that may be transferred from Federal Perkins Loan FCC to FSEOG is 25 percent of the school's original and supplemental FCC allocations for the award year being reported.

New

***Fields 4-6 are new fields in the FISAP. They indicate the new carry-forward and carry-back provision for FSEOG funds.**

*Fields 4-6** require schools to report the amount of FSEOG funds carried forward and carried back between award years. A school may carry up to 10 percent of its FSEOG funds forward to be spent in the next award year. Similarly, if a school needs additional FSEOG funds during the current award year, it may carry back up to 10 percent of its next award year's FSEOG allocation. Additional FSEOG funds may be carried back and spent as payments to students for summer enrollment between May 15 and June 30 of the previous award year. In Section B of Part V, a school must report any such activity that affected expenditures during the award year for which it is filing the FISAP report.

Field 7 requires schools to report the sum of the *Fields 1 - 6* of Sections A and B.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section C: Funds to FSEOG Recipients

Fields 8 and 9 in Section C asks for the total amount of FSEOG funds paid to recipients. This amount must consist of the required 75 percent federal and 25 percent nonfederal shares. The nonfederal share reported in this section may not exceed the required 25 percent.

Section D: Federal Funds Spent for FSEOG Program

Fields 10-12 in Section D shows how a school spent the federal portion of its FSEOG funds. The total amount of the federal portion of FSEOG funds spent is equal to the federal share of FSEOG funds paid to students *plus* the administrative cost allowance (ACA) claimed from federal FSEOG funds.

The 75 percent federal share of FSEOG funds paid to students includes any FWS funds or Federal Perkins Loan FCC transferred to FSEOG and used to make awards to students.

The ACA reported in this section is the amount taken from a school's FSEOG allocation to cover the cost of administering one or more Title IV campus-based programs.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section E: Use of FSEOG Authorization

Section E shows how much of a school's total federal FSEOG allocation was used and enables the school to calculate the amount of the unexpended federal portion of FSEOG funds.

In *Field 13*, schools report the expended FSEOG authorization. This amount must agree with the school's final FSEOG expenditures reported in GAPS.

FSEOG funds spent (*Fields 6 + 12*)

- amount of FWS funds transferred to and spent in FSEOG (*Field 2*)

- amount of Federal Perkins Loan FCC transferred to and spent in FSEOG (*Field 3*)

- funds carried back and spent (*Field 4*)

- additional funds carried back and spent for summer enrollment (*Field 5*)

Expended FSEOG authorization

In *Field 14*, schools report on unexpended FSEOG authorization. A school's unexpended FSEOG authorization is equal to its final adjusted FSEOG authorization amount (*Field 1*) *minus* its total expended FSEOG authorization (*Field 13*). If this amount is a positive dollar figure, the amount of unexpended FSEOG funds will be deducted from the school's GAPS grantee account. If this amount is a negative dollar figure, it is *not* be reported on the FISAP; this is an excess FSEOG expenditure for the school and must be charged to institutional funds.

Section F: Miscellaneous Information

Field 15 in Section F of Part IV concerns prior-year recoveries.* Prior-year recoveries are the federal share of either any FSEOG monies students have returned to a school during the reported award year from awards disbursed before that award year *or* any recoveries of FSEOG funds a school failed to report on a previous FISAP.

- For example, if a student received an FSEOG award during the 1997-98 award year and returned all or part of the award to the school during the 1998-99 award year, the federal share of the amount returned would be considered a prior-year recovery.

Prior-year recoveries generally occur as a result of an incorrect analysis of a student's financial need, an error in disbursing funds, or a

New

***Schools may now report FSEOG prior-year recoveries for prior award years beginning with the 1993-94 award year.**

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

refund/repayment calculation. Any payments resulting from audit or program review liabilities should not be reported as prior-year recoveries; ED handles reporting in these situations. Moreover, FSEOG authorizations for the award year of the report or FSEOG funds spent from the same authorization or unexpended FSEOG funds from the same authorization should not be reported as prior-year recoveries.

A school is no longer required to follow separate procedures for processing open award and closed award prior-year recoveries. The following process should be used to report all prior-year recoveries:

1. If a school received FSEOG funds from students in the award year of the FISAP that were disbursed in prior award years, the school enters the federal share next to the corresponding award year in Section F of the FISAP.
2. Adjust the award expenditures and administrative cost allowance for the year the award was made on the GAPS report.

All prior-year recoveries reported to ED will be deobligated from the appropriate awards.

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FISCAL OPERATIONS REPORT, PART IV
NAME OF INSTITUTION: ____________________ DUNS # ____________
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PART IV. FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT (FSEOG) PROGRAM
FOR AWARD YEAR JULY 1, 1998 THROUGH JUNE 30, 1999

SECTION A. FEDERAL FUNDS AUTHORIZED FOR FSEOG

1. FINAL ADJUSTED FSEOG AUTHORIZATION $ ______

SECTION B. FEDERAL FUNDS AVAILABLE FOR FSEOG EXPENDITURES

2. FWS FUNDS TRANSFERRED TO AND SPENT IN FSEOG + $ ______

3. FEDERAL PERKINS FCC FUNDS TRANSFERRED TO AND SPENT IN FSEOG + $ ______

4. 1999-2000 FUNDS CARRIED BACK AND SPENT IN 1998-1999 + $ ______

5. ADDITIONAL 1999-2000 FUNDS CARRIED BACK AND SPENT FOR SUMMER ENROLLMENT THROUGH JUNE 30, 1999 + $ ______

6. 1998-1999 FUNDS CARRIED FOWARD TO BE SPENT IN 1999-2000 - $ ______

7. FEDERAL FUNDS AVAILABLE FOR FSEOG (FIELDS 1 + 2 + 3 + 4 + 5 - 6) $ ______

SECTION C. FUNDS TO FSEOG RECIPIENTS

8. TOTAL FUNDS TO FSEOG RECIPIENTS (FIELDS 9 + 10) $ ______

9. NON-FEDERAL SHARE OF FUNDS TO FSEOG RECIPIENTS (25% OF FIELD 8) $ ______

a. CASH OUTLAY CONTRIBUTED $ ______
b. OTHER INSTITUTIONAL RESOURCES DESIGNATED $ ______

SECTION D. FEDERAL FUNDS SPENT FOR FSEOG PROGRAM

10. FEDERAL SHARE OF FUNDS TO FSEOG RECIPIENTS (75% OF FIELD 8) $ ______

11. ADMINISTRATIVE COST ALLOWANCE CLAIMED + $ ______

12. FEDERAL FUNDS SPENT FOR FSEOG (FIELDS 10 + 11) $ ______

SECTION E. USE OF FEDERAL FSEOG AUTHORIZATION

13. EXPENDED FSEOG AUTHORIZATION (FIELDS 6 + 12 - 2 - 3 - 4 - 5) $ ______

14. UNEXPENDED FSEOG AUTHORIZATION (FIELD 1 - FIELD 13) (CANNOT BE NEGATIVE) $ ______

SECTION F. MISCELLANEOUS INFORMATION

15. PRIOR YEAR RECOVERIES
(a) 1997-1998 $ ______
(b) 1996-1997 $ ______
(c) 1995-1996 $ ______
(d) 1994-1995 $ ______
(e) 1993-1994 $ ______

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Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Part V: Federal Work-Study (FWS) Program

A school must complete Part V of the FISAP if it received Federal Work-Study (FWS) Program funds for the previous award year. This part summarizes the school's use of FWS funds during that year.

Section A: Federal Funds Authorized for FWS

The final adjusted FWS authorization reported in *Field 1* of Section A should equal the amount authorized in a school's original allocation for the previous award year, *plus* any supplemental allocation amounts for the year, *minus* any allocation amounts released* for the year.

***The amount released applies to any funds released to ED prior to September 30th.**

Section B: Federal Funds Available for FWS Expenditures

Section B is used to calculate the amount of federal funds available for a school's FWS expenditures in the previous award year. The total amount of federal funds available is calculated on the basis of the school's final adjusted FWS authorization, the amount of funds transferred between certain campus-based programs, and the amount of FWS funds carried forward and carried back between award years.

In *Field 2*, a school must report the amount of Federal Perkins Loan Federal Capital Contribution (FCC) transferred to FWS. This amount must have been spent in FWS *or* any unspent amount must have been returned to the Federal Perkins Loan fund. The maximum amount that may be transferred from Federal Perkins Loan FCC to FWS is 25 percent of the school's original and supplemental FCC allocations for the previous award year.

In *Field 3*, a school must enter the amount of FWS funds transferred to FSEOG. This amount must have been spent in FSEOG *or* any unspent amount must have been returned to FWS. The maximum amount that may be transferred from FWS to FSEOG is 25 percent of the school's original and supplemental FWS allocations for the previous award year.

In *Fields 4-9*, schools report the amount of FWS funds carried forward and carried back between award years. A school may carry up to 10 percent of its FWS funds forward to be spent in the next award year. Similarly, if a school needs additional FWS funds during an award year, it may carry back up to 10 percent of its next award year's FWS allocation. Additional FWS funds may be carried back and spent as payments to students for wages earned during summer employment between May 15 and June 30 of the previous award year. A school must report any such activity that affected expenditures during the award year for which it is filing the FISAP report.

In *Field 10*, schools report the total funds available from the previous award year. *Field 10* is the sum of *Fields 1-9*.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section C: Total Compensation for FWS

In *Fields 11a-11c* and *Field 12* of Section C, a school reports the total amount of earned FWS compensation paid to students during the previous award year. This is the gross amount of wages paid and includes taxes and other withholdings. The amount must, at a minimum, consist of 25 percent nonfederal funds, which is also reported in Section C. The nonfederal (institutional) share includes amounts contributed by the school, as well as amounts contributed by any off-campus employer. If the off-campus employer is a private, for-profit organization, the nonfederal share must consist of at least 50 percent of the earned wages. If the nonfederal share of student compensation was paid in kind (for example, as a tuition waiver or room and board), the in-kind compensation value* must be converted to a cash amount for this reporting.

***Schools would have to use the value in cash consistently for all students receiving this type of compensation.**

Section D: Funds Spent from Federal Share of FWS

In *Field 13*, a school reports the federal share of earned compensation paid to all students. This includes the federal share of earned compensation paid to FWS reading tutors of children and tutors in family literacy programs even though the federal share exceeds the 75 percent rate.

Reference:

- See Section 3.2 of this book for further details about the federal share of FWS.

The total federal share of FWS earned compensation is the maximum 75 percent federal share of FWS funds paid to students. The maximum 75 percent federal share applies to on-campus employment and to off-campus employment at public or private, non-profit agencies.

The federal share amount may be 100 percent if a school has an approved waiver of its institutional share as an eligible Title III institution; it may be as high as 100 percent for FWS students who worked in a family literacy program or as reading tutors.

Wages paid for for-profit, off-campus employment may contain a maximum 50 percent federal share; an institutional share waiver may not apply to these wages.

The ACA reported in *Field 14* of Section D is the amount a school takes from its FWS allocation to cover the cost of administering one or more Title IV campus-based programs.

In *Field 15*, schools report the federal share of Job Location and Development Program (JLD) expenditures which must be whichever is less: $50,000 *or* 10 percent of a school's original and supplemental FWS allocations.

In *Field 16*, schools report the total federal funds spent for FWS. *Field 16* is the sum of *Fields 13-15*.

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Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section E: Use of Federal FWS Authorization

Section E shows how much of a school's total federal FWS allocation was used and enables the school to calculate the amount of unexpended federal FWS funds.

In *Field 17*, schools report expended federal FWS authorization. A school's expended federal FWS authorization must agree with the final FWS expenditure amount reported in GAPS. This amount may not exceed a school's final adjusted FWS authorization, as reported in Section A of Part V.

In *Field 18*, schools report unexpended FWS authorization. A school's unexpended FWS authorization is equal to its final adjusted FWS authorization amount (*Field 1*) *minus* its total expended FWS authorization (*Field 17*). If this amount is a positive dollar figure, the amount of unexpended FWS funds will be deducted from the school's GAPS grantee account. If this amount is a negative dollar figure, it is *not* reported on the FISAP. The negative dollar figure represents an excess FWS expenditure by the school and must be charged to the institutional share of earned compensation.

Section F: Miscellaneous Information

Schools report prior-year recoveries in *Fields 19a - 19e* in Section F. Prior-year recoveries are the federal share of any FWS monies students have returned to a school during the previous award year from wages paid before the previous award year *or* any recoveries of FWS funds a school failed to report on a previous FISAP.

- For example, if a student received FWS wages during the 1997-98 award year and returned all or part of the wages to the school during the 1998-99 award year, the federal share of the amount returned would be considered a prior-year recovery.

Prior-year recoveries generally occur as a result of incorrect analysis of a student's financial need or an error in disbursing funds.* Payments resulting from audit or program review liabilities should not be reported as prior-year recoveries; ED handles reporting in these situations.

***If a school overpays a student with FWS funds, the school pays the student with school funds and returns the federal FWS funds to ED.**

If a school had prior-year recoveries, it must report them using the following procedures:

1. If a school received FWS funds from students in the award year of the FISAP that were disbursed in prior award years, the school enters the federal share next to the corresponding award year in Section F of the FISAP.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

2. The school adjusts the award expenditures and administrative cost allowance for the year the award was made on the GAPS report.

All prior-year recoveries reported to ED will be deobligated from the appropriate awards.

Section G: Information About The Job Location and Development (JLD) Program

Schools that participate in the Job Location and Development (JLD) Program must use *Fields 20 - 23* of Section G to report JLD expenditures. If a school used any federal funds to operate a JLD Program, its institutional expenditures for JLD must be at least 20 percent of its total JLD expenditures.

Schools must also use this section to report the number of students for whom jobs were located or developed through the JLD Program.

Section H: Information About FWS Community Service Activities

Fields 24 - 26 of Section H are used to determine if a school has met the minimum 5 percent community-service expenditure requirement.* If an institution received supplemental FWS federal funds, this section is also used to determine whether an institution used supplemental funds to pay students in community-service jobs.

***For the 2000-01 award year and beyond, the minimum 5 percent requirement increases to 7 percent.**

Section I: Information About FWS Reading Tutors of Children and Tutors in Family Literacy Programs

Fields 27 - 29 of Section I are used to report the following information for reading tutors of children and tutors in family literacy programs:**

- the number of students employed,
- federal share of earned compensation, and
- total earned compensation.

The information reported in this section can also be part of the information reported in Section H if the reading tutoring for children services were open and accessible to the community.

****Section I has been adjusted to collect combined information on FWS reading tutors of children and tutors in family literacy programs.**

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FISCAL OPERATIONS REPORT, PART V
NAME OF INSTITUTION: ______________________________ DUNS # ______________
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PART V. FEDERAL WORK-STUDY (FWS) PROGRAM
FOR AWARD YEAR JULY 1, 1998 THROUGH JUNE 30, 1999

SECTION A. FEDERAL FUNDS AUTHORIZED FOR FWS

1. FINAL ADJUSTED FWS AUTHORIZATION $ ________

SECTION B. FEDERAL FUNDS AVAILABLE FOR FWS EXPENDITURES

2. FEDERAL PERKINS FCC FUNDS TRANSFERRED TO AND SPENT IN FWS + $ ________
3. FWS FUNDS TRANSFERRED TO AND SPENT IN FSEOG - $ ________
4. 1999-2000 FUNDS CARRIED BACK AND SPENT IN 1998-1999 + $ ________
5. ADDITIONAL 1999-2000 FUNDS CARRIED BACK AND SPENT FOR 1999 SUMMER EMPLOYMENT + $ ________
6. 1997-1998 FUNDS CARRIED FORWARD AND SPENT IN 1998-1999 + $ ________
7. 1998-1999 FUNDS CARRIED FORWARD TO BE SPENT IN 1999-2000 - $ ________
8. 1998-1999 FUNDS CARRIED BACK AND SPENT IN 1997-1998 - $ ________
9. ADDITIONAL 1998-1999 FUNDS CARRIED BACK AND SPENT FOR 1998 SUMMER EMPLOYMENT - $ ________
10. TOTAL FUNDS AVAILABLE FOR 1998-1999 (FIELDS 1 + 2 - 3 + 4 + 5 + 6 - 7 - 8 - 9) $ ________

SECTION C. TOTAL COMPENSATION FOR FWS

11. TOTAL EARNED COMPENSATION FOR FWS PROGRAM $ ________

a. ON-CAMPUS EXPENDITURES $ ________
b. OFF-CAMPUS EXPENDITURES AT PUBLIC OR PRIVATE NON-PROFIT AGENCIES $ ________
c. OFF-CAMPUS EXPENDITURES IN THE PRIVATE (FOR PROFIT) SECTOR $ ________

12. TOTAL INSTITUTIONAL SHARE OF EARNED COMPENSATION (SEE INSTRUCTIONS) $ ________

SECTION D. FUNDS SPENT FROM FEDERAL SHARE OF FWS

13. TOTAL FEDERAL SHARE OF FWS EARNED COMPENSATION $ ________

a. COMPENSATION AT FEDERAL SHARE NOT TO EXCEED 75% (UNLESS WAIVER APPLIES) $ ________
b. OFF-CAMPUS PRIVATE (FOR PROFIT) SECTOR COMPENSATION AT FEDERAL SHARE NOT TO EXCEED 50% $ ________

14. ADMINISTRATIVE COST ALLOWANCE CLAIMED + $ ________
15. FEDERAL SHARE OF JOB LOCATION AND DEVELOPMENT PROGRAM EXPENDITURES + $ ________
16. TOTAL FEDERAL FUNDS SPENT FOR FWS (SUM OF FIELDS 13 THROUGH 15) $ ________

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SECTION E. USE OF FEDERAL FWS AUTHORIZATION

17. EXPENDED FWS AUTHORIZATION (FIELDS 3 + 7 + 8 + 9 + 16) MINUS (FIELDS 2 + 4 + 5 + 6) $ ________

18. UNEXPENDED FWS AUTHORIZATION (FIELD 1 - FIELD 17) $ ________

SECTION F. MISCELLANEOUS INFORMATION

19. PRIOR YEAR RECOVERIES
(a) 1997-1998 $ ________
(b) 1996-1997 $ ________
(c) 1995-1996 $ ________
(d) 1994-1995 $ ________
(e) 1993-1994 $ ________

SECTION G. INFORMATION ABOUT THE JOB LOCATION AND DEVELOPMENT PROGRAM (JLD)

20. TOTAL EXPENDITURES FOR THE JOB LOCATION AND DEVELOPMENT PROGRAM $ ________

21. INSTITUTIONAL EXPENDITURES FOR THE JLD PROGRAM (SEE INSTRUCTIONS) $ ________

22. NUMBER OF STUDENTS FOR WHOM JOBS WERE LOCATED OR DEVELOPED ________

23. TOTAL EARNINGS OF THE STUDENTS IN FIELD 22 ABOVE $ ________

SECTION H. INFORMATION ABOUT FWS COMMUNITY SERVICE ACTIVITIES

24. NUMBER OF STUDENTS IN COMMUNITY SERVICE EMPLOYMENT ________

25. FEDERAL SHARE OF COMMUNITY SERVICE EARNED COMPENSATION $ ________

26. NON-FEDERAL SHARE OF COMMUNITY SERVICE EARNED COMPENSATION $ ________

SECTION I. INFORMATION ABOUT FWS READING TUTORS OF CHILDREN AND TUTORS IN FAMILY LITERACY PROGRAMS

27. NUMBER OF STUDENTS EMPLOYED AS FWS READING TUTORS OF CHILDREN AND TUTORS IN FAMILY LITERACY PROGRAMS ________

28. FEDERAL SHARE OF EARNED COMPENSATION FOR FWS READING TUTORS OF CHILDREN AND TUTORS IN FAMILY LITERACY PROGRAMS $ ________

29. TOTAL EARNED COMPENSATION FOR FWS READING TUTORS OF CHILDREN AND TUTORS IN FAMILY LITERACY PROGRAMS $ ________

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Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Part VI: Program Summary

Part VI contains two sections. Section A is used to identify a school's campus-based aid recipients by type of student and by income. Section B is used to calculate a school's administrative cost allowance (ACA).

Section A: Distribution of Program Recipients and Expenditures by Type of Student

If a school participated in one or more Title IV campus-based programs during the previous award year that ended June 30, it must complete Section A. The school will need data from Parts III, IV, and V of the FISAP, as well as from its own institutional records, to complete this section.

In *Fields 1-15* of Section A, a school reports the distribution of its campus-based aid recipients by type of student (undergraduate dependent, undergraduate independent, and graduate/professional). Within each "type," recipients are further broken down and reported on the basis of income level.

In this section, income is determined in the same manner as in Part II, Section H. This is the total of a student's and parents' or student's and spouse's taxable and nontaxable income used to calculate the student's Expected Family Contribution (EFC).

Students reported in Section A are both full-time and part-time students.

If a student falls into more than one category (undergraduate, graduate, dependent, independent), the student should be reported in the category in which the student was enrolled during the final term of the previous academic year, or the final month of the training program for institutions with a non-traditional calendar.

The unduplicated recipients column, Column G, is an unduplicated count of students in each income category.

In *Field 16*, the amount of funds reported is the total amount awarded and spent under each campus-based program and consists of both the federal and nonfederal shares.

In *Field 17*, schools must report the total number of less than full-time students. In *Field 18*, schools must report the total number of automatic zero EFC students.

Section B: Calculating Administrative Cost Allowance (ACA)

If a school claims an ACA for the previous award year, it must complete this section. In *Fields 1 - 23*, the school calculates its ACA and reports the amount of ACA claimed by the school. The ACA worksheet is provided for calculation purposes only; it should be retained in the school's files for audit and program review purposes and should not be returned to ED.

The amount of ACA a school may claim is calculated on the basis of the school's total campus-based program expenditures, as reported in Parts III, IV, and V of the FISAP. Schools may claim varying percentages of their expenditures as ACA according to the total amount of their program expenditures.

ACA may be charged against:

- cash on hand in a school's Federal Perkins Loan fund, if the school made Federal Perkins Loans to students during the award year;
- a school's FSEOG allocation, if the school disbursed FSEOG awards to students during the award year; *and/or*
- a school's FWS allocation, if the school paid FWS wages to students during the award year.

The total of all ACA for all programs may be charged to one campus-based program or any combination of the programs the school chooses. However, for the Federal Perkins Loan Program or FWS Program, a school may not charge ACA against program funds if the school's only expenditure from that program was to transfer funds to another campus-based program.

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FISCAL OPERATIONS REPORT, PART VI
NAME OF INSTITUTION: ____________________ DUNS # __________
STATE: __

PART VI. PROGRAM SUMMARY FOR AWARD YEAR JULY 1, 1998 THROUGH JUNE 30, 1999

SECTION A. DISTRIBUTION OF PROGRAM RECIPIENTS AND EXPENDITURES BY TYPE OF STUDENT

TAXABLE & UNTAXED INCOME CATEGORY STUDENT TYPE	FEDERAL PERKINS LOAN		F S E O G		F W S		
	(A) RECIPIENTS	(B) FUNDS	(C) RECIPIENTS	(D) FUNDS	(E) RECIPIENTS	(F) FUNDS	(G) UNDUPLICATED RECIPIENTS
UNDERGRADUATE DEPENDENT							
1. $ 0 - $ 5,999							
2. $ 6,000 - $11,999							
3. $12,000 - $23,999							
4. $24,000 - $29,999							
5. $30,000 - $41,999							
6. $42,000 - $59,999							
7. $60,000 AND OVER							
UNDERGRADUATE INDEPENDENT							
8. $ 0 - $ 1,999							
9. $ 2,000 - $ 3,999							
10. $ 4,000 - $ 7,999							
11. $ 8,000 - $11,999							
12. $12,000 - $15,999							
13. $16,000 - $19,999							
14. $20,000 AND OVER							
15. GRADUATE/PROFESSIONAL			DOES NOT APPLY	DOES NOT APPLY			
16. TOTAL							
17. TOTAL LESS THAN FULL TIME STUDENTS							
18. TOTAL "AUTOMATIC" ZERO EFC STUDENTS							

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FISCAL OPERATIONS REPORT, PART VI
NAME OF INSTITUTION: ______________________ DUNS # __________
STATE: __

Administrative Cost Allowance Worksheet (Worksheet must be retained for audit and program reviews)

Section B. Calculating the Administrative Cost Allowance

STEP 1 Calculate the amount spent in 1998-1999 on which the Administrative Cost Allowance is based:

1. Total compensation in FWS (amount from Part V, Section C, FIELD 11)	$ ____
2. Amount of Federal Perkins Loan funds advanced to students (amount from Part III, Section B, FIELD 5)	+ $ ____
3. Total funds to FSEOG recipients (amount from Part IV, Section C, FIELD 8)	+ $ ____
4. TOTAL Amount Spent (FIELDs 1 + 2 + 3)	$ ____

STEP 2 Calculate the Administrative Cost Allowance (Complete only ONE subsection):

Institutions whose total amount spent was $2,750,000 OR LESS

5. Enter total amount spent (FIELD 4)	$ ____
6. Multiply	x 0.05
7. TOTAL Administrative Cost Allowance (GO TO STEP 3)	$ ____

Institutions whose total amount spent was MORE THAN $2,750,000 but LESS THAN $5,500,000

8. Enter total amount spent (FIELD 4)	$ N / A
9. Subtract	- $ 2,750,000
10. Expenditures over $2,750,000 (FIELD 8 - FIELD 9)	$ N / A
11. Multiply	x 0.04
12. Administrative Cost Allowance on expenditures over $2,750,000 (FIELD 10 x FIELD 11)	$ N / A
13. Add Administrative Cost Allowance on expenditures of $2,750,000	+ $ 137,500
14. TOTAL Administrative Cost Allowance (FIELD 12 + FIELD 13) (GO TO STEP 3)	$ N / A

Institutions whose total amount spent was $5,500,000 OR MORE

15. Enter total amount spent (FIELD 4)	$ N / A
16. Subtract	- $ 5,500,000
17. Expenditures over $5,500,000 (FIELD 15 - FIELD 16)	$ N / A
18. Multiply	x 0.03
19. Administrative Cost Allowance on expenditures over $5,500,000 (FIELD 17 x FIELD 18)	$ N / A
20. Add Administrative Cost Allowance on expenditures of $5,500,000	+ $ 247,500
21. TOTAL Administrative Cost Allowance (FIELD 19 + FIELD 20) (GO TO STEP 3)	$ N / A

STEP 3 Decide how much Administrative Cost Allowance the Institution claimed:

22. How much Administrative Cost did the Institution claim (The amount may be the same or less than the amount calculated in Step 2)	$ ____

23. How much Administrative Cost did the institution claim in each program ?

a. Federal Perkins loan (must be same as Part III, Sect. B, FIELD 6)	$ ____
b. FSEOG (must be the same as Part IV, Section D, FIELD 11)	$ ____
c. FWS (must be the same as Part V, Section D, FIELD 14)	$ ____

6.6 Adjusting Expenditures Reported to GAPS

Schools may make adjustments to reported expenditures on open or closed awards in GAPS. Such adjustments may occur as a result of a school:

- paying a refund to a Title IV account when a student has withdrawn from school;
- recovering funds directly from students (an overpayment to an eligible student or a payment to an ineligible student); *and*
- making a disbursement to a student who was underpaid in a previous payment period.

Adjustments resulting from audit or program review liabilities will be discussed later.

Open Awards (Current-Year and Prior-Year Adjustments)

If an award is open and is listed in GAPS, a school may make upward or downward adjustments by reporting the correct cumulative disbursements in GAPS for the reporting period in which the adjustment is made. If the adjustment is a recovery, the school repays funds (makes a downward adjustment) from its current year program account(s). If the adjustment is an expenditure, the school draws additional funds (makes an upward adjustment) from its current year program account(s).

An ED grant or program office may also initiate an adjustment to a school's reported disbursements on open awards. If a grant or program office reduces a school's award authorization amount to an amount that is less than the school's reported disbursement amount, the disbursement amount will be reduced to the revised authorization amount. The reduction will appear as a prior-period adjustment on the school's GAPS account.

For the Federal Pell Grant Program, adjustments made by September 30 of the calendar year in which the award year ends are considered to be current-year adjustments. Such adjustments will affect the school's Federal Pell Grant authorization, as reported on its Electronic Statement of Account (ESOA). This adjusted authorization will, in turn, be reflected on the school's GAPS account.

Closed Awards (Cancelled-Year Adjustments)

If an award is closed (no longer listed in GAPS) and a school needs to increase the amount of reported disbursements, the school must contact the grant or program office that issued the award and request an increase to the reported disbursement. If the grant or program office approves the increase, the award will be reinstated and the net amount of the increased disbursement amount will be posted to the school's GAPS account. This action will appear as a prior-period adjustment and will reduce the school's cash-on-hand (COH) amount, if applicable.

If an award is closed and a school needs to reduce the amount of reported disbursements, the school must contact the grant or program office that issued the award and request a decrease to the reported disbursement. If the grant or program office approves the reduction, the net amount of the reduction will be posted to the school's GAPS account. This action will appear as a prior-period adjustment and will increase the school's COH amount; if applicable.

Reference:

- See Section 4.9 of this book–Closed Award (for Federal Pell Grant) for further information.
- DCL-P-98-3

For the Federal Pell Grant Program, decrease adjustments are both cancelled and closed for any award year that is more than five years old.

Once a debt to the Federal Pell Grant Program is established by a program review or audit, a school may not adjust its Federal Pell Grant expenditures in GAPS. ED deals directly with adjustments that must be made on the basis of a program review, audit, or court order.

Reference:

- DCL-P-98-3

Adjustments made as a result of overpayments to students must be reported directly to RFMS.

There may be isolated examples when the program office or an audit requires a school to make adjustments on closed awards from ED's previous payment system, the Payment Management System (known as ED/PMS). These adjustments occur when GAPS decreased the award, but the school has unreported expenditures. The school would make the adjustment through the applicable ED program office.

6.7 Audits and Program Reviews

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668 Subparts G and H

Case management teams in the Institutional Participation and Oversight Service (IPOS) oversee schools within their assigned areas, monitoring institutional Title IV compliance. Two of the tools available to the case teams are audits and program reviews, which help ensure that schools participating in Title IV programs follow correct procedures to award, disburse, and account for federal funds. These methods are also used to monitor schools' compliance with applicable laws and regulations, identify procedural problems, and recommend solutions.

Federal Audits (OIG)

A federal audit is initiated by ED and conducted by ED's Office of Inspector General (OIG). A school may be selected for a federal audit only

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if there is concern about the school's administration of Title IV programs. A federal audit does not satisfy the requirement that a school must have an annual nonfederal audit.

Nonfederal Audits

Reference:

- 34 CFR 668.23(a)(2) (c)(1)(2)(d)(1)(5)

***Further guidelines for schools under the HEA amendments of 1998 will be issued in final regulations.**

The law requires that most schools participating in any federal student financial aid program must have an independent auditor conduct annually both a compliance audit and a financial audit. (Schools that receive less than $200,000 in Title IV funds and provide ED with a letter of credit equal to at least one half of the school's potential Title IV program liability, as determined by ED, may be allowed to be audited every three years instead of annually.)* Third-party servicers also must have compliance audits. In addition, the third-party servicers must have financial audits if they enter into a contract with a lender or guaranty agency to administer any aspect of the lender's or agency's programs.

Reference:

- 34 CFR 668.23(a)(1)
- 34 CFR 668.23(b)(2)

- An *independent auditor* is a public accountant or a government auditor who:
  - must be qualified under both generally accepted auditing standards and government auditing standards,
  - is free from personal and external impairments to independence,
  - is organizationally independent, *and*
  - maintains an independent attitude and appearance.
- A *compliance audit* assesses how well a school follows federal requirements for administering the federal student aid programs and must be conducted according to government auditing standards. Compliance audits are also according to either the SFA *Audit Guide* or the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement.

Reference:

- 34 CFR 668.23(d)(1)

- A *financial audit* assesses a school's financial statements. The financial statements must be prepared on an accrual basis according to generally accepted accounting principles (GAAP) and audited by an independent auditor according to generally accepted government auditing standards (GAGAS) and other applicable guidance contained in ED regulations and/or Office of Management and Budget (OMB) regulations.

Audit Deadlines

The compliance audit and audited financial statement must be submitted together as a single-audit reporting package. The deadline for a school or third-party servicer to submit its audit reporting package is no later than six months after the last day of the school's fiscal year, except as provided by the Single Audit Act.

Public and nonprofit schools that are subject to the Single Audit Act (Public Law 104-106) are governed by the deadlines specified in OMB Circular A-133. Audit reports under the Single Audit Act are due no later than nine months from the end of the fiscal year.

Failure to submit the audit reporting package by the deadline and in the manner specified may result in ED limiting, suspending, or terminating a school's participation in Title IV programs.

Method and Type of Audit

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

***A new *Audit Guide* is scheduled for release in June of 1999.**

The method and the type of audit depends on who controls the school:

- *For-profit institutions* must have both a financial audit and a compliance audit. The compliance audit is to be conducted according to ED's *Audit Guide of Federal Student Financial Assistance Programs at Participating Institutions.* These institutions must also have a basic GAAP financial statement audit.* The financial statement audit must be performed according to generally accepted auditing standards and government auditing standards.
- *Public and nonprofit institutions* are audited under the Single Audit Act. The Single Audit Act requirements were implemented through OMB Circular A-133, "Audits of States, Local Governments, and Other Nonprofit Organizations." Entities subject to OMB Circular A-133 that expend less than $300,000 in federal awards are exempt from audit requirements.

Reference:

- 34 CFR 668.23(a)(1)

An audit must be performed by an independent auditor following generally accepted auditing standards and the standards of the U.S. General Accounting Office (GAO) as set forth in the GAO publication *Government Auditing Standards.* The auditor or auditing firm used for a compliance audit may be the same one used to audit a school's other fiscal activities. The auditor or firm must, however, be independent of any auditor or firm authorizing a school's expenditure of Title IV program funds. An audit conducted by a state auditor who meets the criteria for independence satisfies the nonfederal compliance-audit requirement.

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Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

A school must make all program, fiscal, and student records available to an auditor. Both the school's financial aid administrator and fiscal officer should be aware of the dates the auditor will be at the school. Representatives from the business and financial aid offices should be on hand during this period to provide documents and answer questions.

At the end of the on-site review, the auditor holds an exit interview. During the exit interview, the auditor may suggest improvements in procedures, as well as give the school or servicer a chance to discuss the draft report and review any discrepancies cited in the report. The exit interview is a good time to resolve any disagreements or present any corrective action plans before the final audit report is prepared.

The final audit report is prepared by the auditor and submitted to the school.

Schools send A-133 audits, whether for nonprofit schools or for public schools under the Single Audit Act, to:

By regular mail:
Federal Audit Clearinghouse
Bureau of the Census
P. O. Box 5000
Jeffersonville, IN 47199-5000

By overnight mail:
Federal Audit Clearinghouse
Bureau of the Census
1201 East 10th Street
Jeffersonville, IN 47132-5000

Schools send audits conducted using ED's *SFA Audit Guide* to:

By regular mail:
U.S. Department of Education
Institutional Participation and Oversight Service
Data Management and Analysis Division
Document Receipt and Control Center
P. O. Box 44805
L'Enfant Plaza Station
Washington, DC 20026-4805

By overnight mail:
U.S. Department of Education
Office of Student Financial Assistance Programs
Data Management and Analysis Division
Document Receipt and Control Center
7th and D Streets, SW
GSA Building, Room 3514
Washington, DC 20407

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

Corrective Action Plans (CAPs)

Regardless of the type of audit performed, if there are findings, a school must prepare a corrective action plan (CAP) that addresses the findings in the audit report. Schools must submit the CAP with their audit reports to the same just-listed addresses.

It is ED's responsibility, not the auditor's or audit firm's, to determine what action will be taken as a result of an audit report. ED officials review the audit report and the school's CAP to determine what action, if any, is necessary. ED may:

- agree with the auditor's findings,
- modify the auditor's recommendations, *or*
- request additional information from the school.

A school is required to cooperate fully during ED's examination of its audit report. The school must give ED and/or OIG access to any records or other documents needed to review the audit report. In addition, the school's contract with its auditor must specify that the auditor will also give ED and/or OIG access to records and documents related to the audit, including work papers. Access includes the right to:

- copy records (including computer records),
- examine computer programs and data, *and*
- interview employees without the presence of school officials and without the school's use of a tape recorder.

ED notifies the school in writing of its final determinations. As a result of ED's examination of a school's audit, the school may be required to:

- revise its administrative procedures;
- provide or reconstruct documentation to establish that expenditures were properly awarded and disbursed;
- implement corrective actions to prevent further improper expenditures of federal funds;
- repay improperly expended federal funds; *or*
- pay fines or interest or both.

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Reference:

- 34 CFR 668.75(c)(1)(2)
- 34 CFR 668, Subparts F and G

If ED determines that Title IV program funds were expended improperly, the school must repay the funds within 45 days, unless the school has formally appealed the decision.

In addition, if ED determines that Title IV program funds were expended improperly, ED may:

- take emergency action to withhold the school's Title IV funds,
- fine the school up to $25,000 for each statutory or regulatory violation, *or*
- limit, suspend, or terminate the school's eligibility to participate in Title IV programs.

Such actions may be taken by ED if:

- the school is unable or unwilling to provide access to its records;
- there is sufficient evidence that federal funds were intentionally misused or fraudulently expended;
- ED has evidence indicating that the school is incapable of administering Title IV programs; *or*
- the school is unable or unwilling to repay improperly expended federal funds.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*

Audits for Foreign Schools

Foreign schools must also submit annual compliance and financial audits. Because financial responsibility requirements vary for foreign schools based on the amount of federal student financial aid funds a school receives, the requirements for preparing the financial statement also vary.

- A school that received less than $500,000 (in U.S. dollars) in Title IV funds during its most recently completed fiscal year may have its financial audit prepared according to the standards of the school's home country.
- A school that received $500,000 (in U.S. dollars) or more in Title IV funds during its most recently completed fiscal year may have its financial audit translated and presented for analysis under GAAP and GAGAS.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.23(c)(1-4)

Audits for Third-Party Servicers

A third-party servicer must submit an annual compliance audit. If a third-party servicer contracts with several schools, a single compliance audit can be performed that covers all its administrative services for each school. A third-party servicer must submit its compliance audit within six months after the last day of the third-party servicer's fiscal year. ED may require a servicer to provide a copy of its compliance audit report to guaranty agencies, lenders, state agencies, the U.S. Department of Veterans Affairs, and/or accrediting agencies.

A third-party servicer is not required to submit a separate annual compliance audit if:

- it contracts with only one school *and*
- the school's audit covers every aspect of the servicer's administration of that school's programs.

A school may never use a third-party servicer's audit in place of its own required audit. The school is ultimately liable for its own violations as well as any incurred by its third-party servicers.

In addition to submitting a compliance audit, a third-party servicer must, on an annual basis, submit an audited financial statement when it enters into a contract with a lender or guaranty agency to administer any aspect of the lender's or guaranty agency's programs. This financial statement must be prepared on an accrual basis according to GAAP, audited by an independent auditor according to GAGAS, and follow any other guidance contained in audit guides issued by ED.

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- HEA, 498A

Reference:

- http://ifap.ed.gov
  (Note: The *1994 Program Review Guide* is the most recent edition available.)

Program Reviews

In addition to reviewing schools' compliance-audit reports, ED may conduct its own program reviews. One purpose of a program review is similar to that of a compliance audit—to evaluate a school's management of Title IV programs and to ensure compliance with laws and regulations.

For program reviews, ED must:

- establish uniform guidelines;
- make guidelines and procedures available;
- permit institutions to cure errors if there is no evidence of fraud or misconduct;

- base penalties on the gravity of the violation; *and*
- inform state and accrediting agencies of any action taken against an institution.

In selecting schools for review, ED gives priority to schools with:

- a Federal Family Education Loan (FFEL) Program cohort default rate greater than 25 percent; *or*
- a significant fluctuation in FFEL, Direct Loan Program, or Federal Pell Grant Program volume; *or*
- problems reported by an accrediting agency or a state agency.

Schools are typically notified of an upcoming program review in advance, but ED reserves the right to conduct an unannounced program review. Federal regulations stipulate that ED officials provide a school with a written request for a program review, but regulations do not preclude ED from providing the written request at the same time reviewers arrive at the school.

School personnel must cooperate fully with ED officials before, during, and after a program review. Whether the program review is announced or unannounced, a school is expected to have its records organized and readily available for reviewers, and the school must provide access to its records.* However, because certain school officials might not be immediately available during an unannounced program review, a school may be allowed additional time to submit requested information/responses to review findings.

***The Family Education Rights and Privacy Act (FERPA) regulations do not apply in those cases.**

Focus of Program Reviews

A program review covers many of the same areas as an audit, including fiscal operations and accounting procedures, as well as a school's compliance with specific Title IV program requirements for student eligibility and awards. Program reviews, however, tend to focus more on regulatory requirements specific to Title IV programs, such as:

- student eligibility records and admission records,
- fund requests and transfers,
- records pertaining to due diligence and collecting Federal Perkins Loans,
- time sheets and pay rates for the Federal Work-Study (FWS) Program, *and*

- documents supporting a school's Federal Pell Grant and campus-based program reporting.

The program review team prepares a written report and sends it to a school within 30 to 60 days of the review. The school is expected to respond to the report to provide additional information or if it disagrees with any of the report's conclusions. When ED has fully considered and evaluated the school's response, ED sends the final program review determination (FPRD) letter to the school.

Like an audit, a program review may result in noncompliance findings or in monetary liabilities for a school.

Some common reasons for noncompliance findings include:

- unmet consumer-information requirements,
- excessive student drop-out or withdrawal rates,
- undocumented entrance and exit loan counseling interviews,
- inadequate notification to FFEL Program borrowers about refunds made to lenders,
- excessive Federal Perkins Loan Program cohort default rates, *and*
- improperly maintained satisfactory academic progress records.

Some common reasons for monetary liabilities include:

- incomplete or undocumented verification procedures,
- inadequately established or monitored satisfactory academic progress standards,
- late refunds or unmade refunds,
- excess cash on hand from Title IV programs,
- inconsistent information in student files,
- inadequately maintained accounting records,
- improperly constructed student budgets,
- ineligible programs or locations,
- an undocumented FISAP income grid,
- failure to exercise due diligence in collecting Federal Perkins Loans,

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- records not being maintained as required, *and*
- audit reports not being submitted.

Reference:

- 34 CFR 668 Subparts G and H

As a result of program review findings and/or audit findings, ED may take emergency action against a school; fine a school for statutory and regulatory violations; or limit, suspend, or terminate a school's participation in Title IV programs. A school may appeal program-review findings and audit findings.

6.8 Repayment of Liabilities from an Audit or Program Review

Reference:

- *Student Financial Aid Handbook: Institutional Eligibility and Participation*
- 34 CFR 668.23(g)

An audit or program review may result in liabilities under any of the Title IV programs for a current award year or for prior award years. Such liabilities are reported to a school by ED in a Final Program Review Determination (FPRD) letter or a Final Audit Determination Letter (FADL). If the FPRD or FADL states that the school owes funds to ED, it will give specific steps that the school must take to reimburse ED for improperly spent funds. The institution should carefully follow the instructions in the FPRD or FADL for reimbursing these funds.

If a school owes payments to ED, a copy of its FPRD or FADL is also sent to the Receivables and Cash Receipt Team (RCRT) in ED's Financial Services (FS), where an account receivable is established for the school. A school is also billed for the disallowed amount of funds, accrued interest, and penalties through ED's billing agent. Payment instructions are included with the bill.

Reference:

- GAPS *Payee Guide*

If a school owes ED $100,000 or more, it must remit payment through its financial institution by FEDWIRE. If a school owes ED less than $100,000, it must remit payment by check to ED's billing agent.

A school may not reduce amounts reported as expended in GAPS to account for expenditures disallowed as a result of an audit or program review. Any Title IV funds returned for this purpose will not be credited to a school's GAPS account and will not reduce the school's cash-on-hand amount in GAPS. Unless otherwise directed by the FPRD or FADL, a school may not attempt to adjust its prior year FISAPs or Federal Pell Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review, nor may it make repayments directly to any Federal Family Education Loan (FFEL) Program lender or to the Direct Loan Servicing Center.

If a school does not return funds owed ED as a result of an audit or program review, any of the following penalties may occur:

- The school may be assessed penalty and administrative charges, as well as accrued interest on any unpaid balance.
- The school may be referred to a commercial collection agency and charged the agency's collection costs.
- The school may be referred to the U.S. Department of Justice for collection and legal action.
- The school may be referred to other government agencies from which it receives funds for administrative offsets.
- The school may be reported to credit bureaus.

6.9 Guaranty Agency Reviews

Guaranty agencies are required to conduct program reviews at postsecondary schools that participate in the FFEL Program. A guaranty agency must conduct biennial (once every two years) on-site reviews at the ten schools with the highest loan volume through that agency, as well as at any school whose loan volume is 2 percent or more of the guaranty agency's total loan volume. A guaranty agency is also required to conduct biennial program reviews of schools in its state that have a default rate of more than 40 percent as well as any schools with a default rate of more than 20 percent if ED notifies the agency that the school does not have a default reduction plan. A program review conducted by a guaranty agency is similar to ED's program review. However, the guaranty agency's review focuses on how the school meets FFEL-specific requirements, such as:

- certifying the loan application,
- maintaining records supporting a student's loan eligibility,
- processing procedures and paying loan monies, *and*
- informing lenders when a student changes enrollment status.

Two copies of the guaranty agency's report are forwarded to ED, as is the school's payment if liabilities were assessed.

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Appendix A

Glossary

Academic Achievement Incentive Scholarship Program	The purpose of this gift-aid program is to help financially needy students who have demonstrated their academic abilities. The scholarships are for students who are eligible for Federal Pell Grants and graduate after May 1, 2000 in the top 10 percent of their high school graduating class. An Academic Achievement Incentive Scholarship equals up to the amount the student is eligible for in Federal Pell Grant, which can result in doubling the student's grant amount. This program is currently unfunded for the 1999-2000 award year.
academic year (AY)	A time period of at least 30 instructional weeks in which a full-time undergraduate student is expected to complete: • 24 semester or trimester hours or 36 quarter hours at an institution using credit hours in an educational program whose length is measured in credit hours, ***or*** • at least 900 clock hours at an institution using clock hours. However, there is an exception for those schools with at least a two-year or four-year academic program with an associate or bachelor's degree. Those schools may request, in writing, that ED reduce the minimum period of instructional time of the academic year for any of its programs as long as they are at least 26 weeks in length.
accepted with corrections	A category of Federal Pell Grant processed payment data found to be inaccurate but for which the Recipient Financial Management System (RFMS) made certain corrections during processing. A school must review the records carefully and resubmit them if RFMS's corrections are inaccurate.
Access America for Students	Access America for Students will provide electronic Web-based access to government services. It will test key concepts of the Modernization Blueprint (formerly Project EASI). In 1999-2000, seven schools will pilot Access America for Students.
accounting for restricted funds for limited purposes	A restricted fund made up of a self-balancing group of accounts: assets, liabilities, capital (fund balance), revenues, and expenses. It is important to note that individual funds are separated completely from one another and

	from the general fund of the institution and are self-balancing. That is, the debit balances of the debit accounts within the fund equal the credit balances of the credit accounts within the fund. This ensures the integrity of individual funds and provides control over fund expenditures. "Restricted" means that the use of the funds has been restricted to some specific activity by donors and/or other external parties.
accounting period	A time period for which financial records are maintained and at the end of which financial statements are prepared. See *Financial statement.*
accrual basis	The type of accounting under which incomes are recorded when earned (regardless of when cash is actually received) and expenses are recorded when liabilities are incurred (regardless of when cash is actually expended).
accrued salaries	Wages earned by students between the date that the students were last paid and the end of the accounting period being reported, but not yet paid to the students. The unpaid student wages are considered a school liability.
ACH and ACH/EFT	See *Automated clearinghouse (ACH).*
adjusting entry	A journal entry made for purposes of correcting an error (such as a transfer of an amount from one account) or recording an accrual (such as earned, but unpaid, student payroll at the end of an accounting period).
administrative capability	A requirement an institution must meet to participate in Title IV student aid programs. Administrative capability covers specific areas in the management of an institution. These areas include: • establishing and maintaining student records and financial records, • submitting required ED reports, • designating a capable Title IV aid administrator at an institution, • writing procedures for school offices involved with Title IV programs, • communicating to the financial aid administrator all information received by any school office that might affect a student's Title IV aid eligibility, • dividing the functions of authorizing payments and disbursing funds, *and* • employing an adequate number of qualified staff. See also *Financial responsibility.*

	For further information, refer to Section 668.16 of the Student Assistance General Provisions regulations or Chapter 2 of *The Blue Book*.
administrative cost allowance (ACA)	A dollar figure the federal government allots an institution to offset the cost of administering a Title IV program.
administrative offset	An offset assessed by ED against a Title IV participating school to collect program review, audit, and formal fine debts. ED withholds a portion of a school's Grant Administration and Payment System (GAPS) payments and applies them toward the school's debt.
advance payment method	Under this payment method, a school may submit a request for funds to ED prior to disbursing aid to eligible students and parents. If the request is approved, ED will make an electronic funds transfer for the requested amount to the school's bank account.
agency funds	The conduit or clearing house funds established to account for assets (usually cash) received for, and paid to, other funds, individuals, or organizations. Externally designated scholarship funds are an example of agency funds. Because assets received this way are held briefly, to be disposed of at the direction of others, only asset and liability accounts are needed in such a relationship.
allocation	A specific sum of money awarded for an institution to use during a specific period. Campus-based funds (Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and Federal Perkins Loan) are allocated to an institution on an award-year basis. Allocation may also be referred to as obligation, award authorization, grant authorization, or Document Number. See *Releasing campus-based program funds* and *Supplemental appropriation*.
allocation order	A priority list, established by ED, that states the order in which refunds are to be made to federal financial aid program accounts if a student withdraws, drops below half-time status, is expelled, or drops out during the refund period. By law, refunds must be allocated to Title IV programs in specified order, as follows: 1. Unsubsidized Federal Stafford Loans (FFEL) 2. Subsidized Federal Stafford Loans (FFEL) 3. PLUS Loans (FFEL) 4. Unsubsidized Federal Direct Stafford Loans 5. Subsidized Federal Direct Stafford Loans 6. Federal Direct PLUS Loans

	7. Federal Perkins Loans 8. Federal Pell Grants 9. Federal Supplemental Educational Opportunity Grants (FSEOGs) 10. other Title IV programs 11. other federal, state, private, or institutional sources of aid 12. the student See *Refund, Refund policy,* and *Order of return of Title IV funds.*
AmeriCorps	A program of national and community service that provides full-time education awards of up to $4,725 a year. Individuals may work before, during, or after their postsecondary education and can use the funds either to pay current or future education expenses or to repay federal student loans. Participants must be high school graduates, have GEDs, or be working toward their GEDs.
appropriation	At the federal level, a congressional legislative act allocating a specific amount of public funds to be spent for a specific purpose during a fiscal or award year. The dollar amount appropriated may be equal to or less than (but not more than) the total amount permissible under the authorizing statute. An appropriation bill originates in the U.S. House of Representatives. General appropriation acts are supposed to be approved by both houses of Congress by the seventh day after Labor Day before the start of the fiscal year to which they apply. Continuing resolutions allocate funds for expenditures when the appropriations bill for the new fiscal year has not been enacted. See *Continuing resolution* and *Supplemental appropriation.*
assets	Owned property that must be reported on a student financial aid application. These are financial holdings such as cash on hand in checking and savings accounts, trusts, stocks, bonds, other securities, loan receivables, real estate (excluding the home), business equipment, and business inventory.
assignment	A school's transfer of a defaulted National Defense Student Loan, National Direct Student Loan, or Federal Perkins Loan to ED for collection. Once ED accepts a loan, it acquires all rights, title, and interest on the assigned loan. In certain cases, guaranty agencies also assign defaulted loans under the FFEL Program to ED.
audit	An independent examination of a school's financial transactions, accounts, reports, and compliance with applicable laws and regulations to determine whether the institution is maintaining effective control over revenues,

	expenditures, assets, and liabilities; whether the institution is properly accounting for resources, liabilities, and operations; whether financial reports contain accurate, reliable, and useful financial information and are accurately presented; and whether the institution is complying with applicable laws, regulations, and ED directives. A financial audit also studies and evaluates the institution's internal accounting and administrative controls, as well as the policies, procedures, and practices used in administering student financial assistance programs. See *Independent audit.*
audit exceptions	School actions found through an audit that are not in compliance with federal guidelines.
Audit Guide	An ED reference manual designed to assist independent auditors performing audits of Title IV student financial aid programs.
audit report	A report prepared by ED after a federal audit is performed. In a nonfederal audit, an audit report is a report prepared by an auditor or audit firm according to the guidelines provided in the *Audit Guide or* according to OMB Circular A-133. See *Federal audit.*
audit trail	A clear (easily followed) trail that is provided by maintaining required documentation to support each school transaction that deals with receiving and expending federal funds.
authorization (legislative)	At the federal level, a congressional legislative act that establishes a program, specifies its general purpose and conduct, and unless open-ended, sets a ceiling for the dollar amount that can be used to finance it. An authorization must be enacted before dollar amounts can be appropriated for program spending.
authorization (spending)	The approved expenditure level for a program for an award year. Each award year, ED notifies each participating institution of its authorized levels of expenditures for the Federal Pell Grant and Federal Perkins Loan Programs. See *Official notice of funding.*
automated clearinghouse (ACH)	A nationwide, electronic financial network providing a paperless, efficient means of making payments by electronically transmitting debits and credits through the Federal Reserve Communications System. It takes three business days for funds to reach a school's bank account. ACH payments offer a wide range of applications, including direct deposit and preauthorized debits. Also referred to as Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT).
automated FEDWIRE system	A process of electronically transferring funds with the same day deposit for requests made before 2:00 p.m. (Eastern Standard Time) and the next day

	deposit for requests made after 2:00 p.m. (Eastern Standard Time). See *FEDWIRE*.
automated suspension of funds	The automated decrease of an allocation (authorization amount) listed in the Grant Administration and Payment System (GAPS). This decrease occurs when an inactive award (allocation) is closed. As a result, the school must adjust its own expenditure records for that allocation to that disbursement amount.
automated voice response (AVR)	An option for placing requests for ACH payments through a service bureau. This request is made via a touch-tone telephone. It represents one of two payment-request modes available to schools. Compare *Operator-assisted mode*.
award	As a noun, a specific amount of financial assistance to pay for education costs offered to a student through one or more financial aid programs. As a verb, the approval of financial assistance to students, because one function of an institution is to award campus-based financial aid to students who meet all the eligibility criteria.
award adjustment or revision	An action by a financial aid office resulting in an increase, decrease, program-source substitution, or cancellation of a student's financial aid award. This may be necessitated by factors such as a change in the student's enrollment status or a change in the financial circumstances of the student's family or the student.
award packaging	See *Packaging*.
award year	The time period from July 1 of one year through June 30 of the following year for which financial aid awards are made. The award year differs from the federal fiscal year (October 1 through September 30).
batch	A group of records assembled in a single file that is then transmitted electronically as one unit to ED for processing. Each batch contains a header and a trailer record with information about the records in the batch, including the number of records and the school ID number.
billing service	A private-sector business organization that services loan accounts (billing and/or receiving) for lenders and schools. A fee is charged for the service.
bookkeeping	Analyzing, classifying, and recording financial transactions in accordance with a preconceived plan to provide a means by which an organization's business may be conducted in an orderly fashion and to establish a basis for reporting the financial condition of an organization and the results of its operation. The two methods of bookkeeping are single entry and double entry. See *Double-entry bookkeeping* and *Single-entry bookkeeping*.

business office	The school office responsible for an institution's financial accounting, including Title IV aid program activity. The office disburses financial aid award payments to students and student accounts and processes loan checks. It is sometimes referred to as the fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. See *Separation of functions.*
Robert C. Byrd Honors Scholarship	A Title IV financial aid program that makes scholarships available to full-time postsecondary students with exceptional academic ability and promise. Students apply for the merit-based scholarships through their state education agencies. The program, created in 1984, was named to honor Senator Robert C. Byrd.
campus-based programs	The term applied to three federal Title IV student aid programs administered on campus by eligible institutions of postsecondary education: • Federal Perkins Loan Program, • Federal Work-Study (FWS) Program, *and,* • Federal Supplemental Educational Opportunity Grant (FSEOG) Program. See individual program names.
cancellation (of a loan)	This occurs when a borrower meets specific requirements that permit nullifying the borrower's obligation to repay all or a designated portion of principal and interest on a student loan. It also is referred to as "discharge." However, cancellation of a Direct Loan does not apply to that program.
capitalizing interest	A process in which interest that has accrued but not been paid is added to the loan principal for both the FFEL and Direct Loan Programs. Capitalizing is a consequence of delaying interest payments; it increases the amount of the principal and, consequently, the total amount that must be repaid.
carry forward/ carry back	A special provision of the Federal Work-Study (FWS) Program and the Federal Supplemental Educational Opportunity Grant (FSEOG) Program that allows an institution to transfer up to 10 percent of its annual FWS and FSEOG allocations back to the previous award year or forward to the next award year. In addition, a school may carry back funds from the current award year to pay student wages earned from May 15 through June 30 of the previous award year. See *Federal Work-Study (FWS) Program* and *Federal Supplemental Educational Opportunity Grant (FSEOG) Program.*
cash advance	A transfer of funds from a federal agency (from an account in the U.S. Treasury through the Federal Reserve Bank) to a school.

cash monitoring payment method	When ED places a school on the cash monitoring payment method, ED requests funds after the school makes disbursements to students and parents. Schools will then be paid using either the advance payment method or reimbursement payment method. Schools under the advance payment method request funds like other schools under that method, except ED handles the request, which cannot exceed the amount of actual disbursements the school is to make to the students and parents included in that request. Under reimbursement, the school must first make disbursements to eligible students and parents before ED requests the funds for the school through GAPS. After submitting the appropriate documentation to ED, schools are reimbursed. See *Advance payment method* and *Reimbursement payment method.*
cash pooling	For institutions permitted to do so, depositing federal funds for all Title IV aid programs in a single bank account.
Central Processing System (CPS)	ED's Central Processing System (CPS) analyzes information from Free Applications for Federal Student Aid (FAFSAs) and calculates Expected Family Contributions (EFCs). A series of edits is used to check the consistency of family-supplied and student-supplied information. Eligibility matches are also conducted with the U.S. Social Security Administration, the U.S. Department of Justice, the U.S. Immigration and Naturalization Service, and the U.S. Selective Service. In addition, each student is checked against ED's own defaulted-loan database. See *National Student Loan Data System (NSLDS).*
chart of accounts	A list of financial account numbers and account titles arranged in a systematic way to help institutions identify the accounts in their fiscal management system and ledgers. These accounts form the foundation for the school's Title IV reporting process.
closing	The process of preparing, entering, and posting closing entries. A closing entry is a journal entry in which balances in revenue and expense accounts are eliminated at the end of the accounting period (calendar year or fiscal year). Because revenue and expense accounts provide the information for a statement of operations of a given accounting period, it is essential that these accounts have zero balances at the beginning of each new period. Asset, liability, and fund balance accounts are not closed at the end of the accounting period as their balances carry over to the new period.
***Code of Federal Regulations* (CFR)**	The compilation of all federal regulations and procedural rules. Regulations implementing Title IV programs appear in 34 CFR.
cohort default rate	For the Federal Perkins Loan, Direct Loan, and FFEL Programs, the percentage of an institution's current and former students who entered student-loan repayment in a specific fiscal year on loans received for

	attendance at that institution and who defaulted before the end of the following fiscal year. For any fiscal year in which fewer than 30 students from a school entered repayment, the percentage is determined on the basis of students who entered repayment as described above in any of the three most recent fiscal years and who defaulted before the end of the fiscal year immediately following the year they entered repayment. See *Default.*
collection agency	A business organization that receives lenders' loan accounts that have become delinquent or are in default and attempts to collect on those accounts. A fee is charged for the service.
collection costs	Reasonable costs incurred by using a collection agency or commercial skip-trace agency in an attempt to recover delinquent or defaulted student loan funds. See *Collection agency* and *Skip tracing.*
compliance audit	See *Audit* and *Independent audit.*
composite score	ED determines the composite score by: • calculating the result of the school's primary reserve equity and net income ratios; • calculating the strength factor score for each of those ratios by using the corresponding algorithm; • calculating the weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; • summing the resulted weighed scores to arrive at the composite score; and • rounding the composite score to one digit after the decimal point.
continuing resolution	At the federal level, a congressional joint agreement between the House and Senate to continue appropriations for specific government agencies (at rates generally determined on the basis of previous fiscal-year appropriation levels) when Congress has not yet enacted an appropriation act for those agencies for the current fiscal year. A continuing resolution must pass both houses of Congress and be signed by the President. See *Appropriation.*
contra account	The other side of an account. When used in T-account diagrams, the term "contra account" refers to the other part of the entry. For example, if a Cash Control, GAPS account is debited, the contra account (the account to be credited) might be Accounts Receivable, GAPS. If Cash Control, GAPS is credited, the contra account to be debited might be Expended Funds, GAPS. See *T-Account.*

control account	A ledger account in which posting occurs simultaneously to a number of identical, similar, or related accounts, usually called subsidiary ledger accounts. When these subsidiary ledger account balances are added together, that total should agree with the balance in the control account. A familiar example is accounts receivable. When several students have receivable balances in subsidiary accounts (an account receivable system), the sum of the balances for all the students agrees with the total in the general ledger, control account.
corrected	A category of Federal Pell Grant processed payment data returned to a school by RFMS that the school must keep on file. A school should not resubmit these records to the RFMS unless the award-year data changes.
corrective action	As a part of any fine, any limitation, suspension, or termination proceeding, or any adverse finding in a report or review, ED may require a post-secondary institution to take corrective action. This action may include making payments to eligible students or repaying any illegally used funds to ED. ED may offset any funds to be repaid against any benefits or claims due to the institution.
corrective action plan (CAP)	A written plan an institution submits to ED, as required by an ED official, a hearing official, or the U.S. Secretary of Education. In this plan, the institution explains what reasonable and appropriate steps it will take to remedy any violation(s) of applicable laws, regulations, special arrangements, agreements, or limitations based on present or prior financial aid audit or program review findings.
cost of attendance (COA)	Section 472 of the Higher Education Act (HEA) sets forth specific statutory parameters for cost of attendance (COA) for Title IV aid programs. A student's cost of attendance includes tuition and fees, room and board expenses while attending school, allowances for books and supplies, computer, transportation, loan fees (if applicable), dependent-care costs, costs related to a disability, and other miscellaneous expenses. In addition, reasonable costs for a study-abroad program and costs associated with a student's employment as part of a cooperative education program may be included. There are also special rules for less-than-half-time students and correspondence-study students. The cost of attendance is estimated by the school. The cost of attendance is compared to a student's Expected Family Contribution (EFC) to determine the student's need for aid.
data universal numbering system (DUNS) number	A distinctive nine-digit identifier assigned by Dun and Bradstreet to be used as the identifying number to access the Department of Education's Central Automated Processing System (EDCAPS) and Grant Administration and Payment System (GAPS).

default

For Perkins Loans: Failure of a borrower to make a loan-installment payment when due or to meet other terms of a signed promissory note or written repayment agreement.

For FFEL and Direct Loans: Failure to make a loan-installment payment on (a) a loan repayable in monthly installments for 270 days or (b) for FFEL: a loan payable in less frequent installments for 330 days.

There can be serious legal consequences for student-loan defaulters.

deferment (of a loan)

A period of postponement during which repaying loan principal is suspended as a result of the borrower meeting one or more of a number of deferment requirements established by law. While the borrower does not pay interest on *subsidized* loans during deferment, interest expenses continue to accumulate during deferment of an *unsubsidized* loan. Compare *Forbearance (on a loan).*

delivery

In the Federal Family Education Loan (FFEL) Program, the process of a school transmitting loan proceeds to a borrower. See *Disbursement.*

Department of Education Central Automated Processing System (EDCAPS)

A centralized financial management system designed to integrate ED's separate financial processes.

Direct Loan

See *Federal Direct Loan Program.*

disbursement

The process by which Title IV program funds are paid to a student or parent borrower. A school may:

- pay a student or parent directly,
  - by check or other means payable to the student and requiring the student's endorsement or certification (or, in the case of a parent borrowing under the Direct Loan Program or FFEL Program, requiring the endorsement or certification of the student's parent);
  - by initiating an electronic funds transfer (EFT) to a bank account designated by the student (or, in the case of a parent borrower, an account designated by the parent); or
  - by dispensing cash to the student for which the school obtains a signed receipt from the student: *or*
- credit a student's account.

See *Delivery.*

disbursement record (Direct Loans)	An electronic record sent from a school to the Loan Origination Center (LOC) notifying ED when a loan disbursements has been made to a student (the day the funds are available for the student to use).
disbursement record (RFMS)	A record that reports to the Recipient Financial Management System (RFMS) the actual amount and date of each Federal Pell Grant disbursement.
discharge	See *Cancellation (of a loan).*
distribution formula	A formula in federal regulations that must be used to calculate the amounts of refunds or overpayments (repayments) that must be returned to individual Title IV programs. See *Refund* and *Repayment.*
double-entry bookkeeping	The method in which each transaction involves a two-way, self-balancing journal entry with equal debit and credit amounts. This entry is then posted from the journal to the corresponding ledger accounts involved. See *Bookkeeping.*
DUNS number	See *Data universal numbering system (DUNS) number.*
EDCAPS	See *Department of Education Central Automated Processing System (EDCAPS).*
Electronic Data Exchange (EDE)	ED's process for postsecondary institutions (and other participating destination points) to electronically transmit, receive, and correct application data, package student awards, and transmit Federal Pell Grant and Direct Loan payment information via the TIV WAN.
electronic data processing (EDP) controls	Controls that ensure the integrity and reliability of data. They encompass operating procedures, software security, data access, program modification, segregation of computer security duties and responsibilities, backup and recovery plans, and physical computer security.
electronic funds transfer (EFT)	See *Automated clearinghouse (ACH).*
electronic statement of account (ESOA)	An official Pell Grant statement from ED that sets a school's authorization level for the upcoming award year and projects adjustments to the school's Pell funding needs. The ESOA also details the amount expended (the total amount submitted on Pell disbursement records) to date. ED produces an ESOA whenever the Federal Pell Grant Program adjusts a school's current Federal Pell Grant authorization. See *Federal Pell Grant Program.*
eligible institution	A public or private nonprofit institution of higher education, a postsecondary vocational school, or a proprietary institution of higher education that meets all the criteria to participate in Title IV student financial aid programs.

eligible student

The definition of a student eligible to receive federal financial aid from ED is discussed in detail in the *Student Financial Aid Handbook: Student Eligibility* and Section 668.7 of the Student Assistance General Provisions regulations.

emergency action

Action taken by ED against an eligible postsecondary institution. This action includes withholding funds from the institution or its students and withdrawing the authority of the institution to obligate federal funds under any or all of the Title IV student aid programs. Emergency action is taken when ED:

- receives information that the institution is violating applicable laws, regulations, special arrangements, agreements, or limitations;
- determines that the likelihood of loss to the federal government outweighs putting in place limitation, suspension, or termination procedures; *and*
- determines that immediate action is necessary to prevent misuse of federal funds.

See *Limitation, suspension, or termination (LS&T)* and *Program Participation Agreement (PPA).*

enrollment period

For the Federal Family Education Loan (FFEL) and Direct Loan Programs, the period of time for which a borrower's loan is intended and during which a student is enrolled. For a school that uses academic terms (semester, trimester, or quarter), an enrollment period must coincide with one or more terms or with an academic year. For a school that does not use academic terms, an enrollment period must coincide with the length of a student's program of study or an academic year. Compare *Payment period.*

enrollment status

At those institutions using semesters, trimesters, quarters, or other academic terms and measuring progress in credit hours, enrollment status equals a student's credit-hour course load. At these schools, a full-time undergraduate student enrolls in at least 12 semester hours or 12 quarter hours each term.

At those institutions measuring progress in clock hours, enrollment status equals a student's clock-hour course load. At these schools, a full-time student receives 24 hours of instruction in one week.

At either type of school, student enrollment may be categorized as full-time, three-quarter-time, half-time, or less-than-half-time.

At those institutions using a combination of both credit and clock hours, enrollment status for a full-time student is any combination of credit and clock hours where the sum of the following fractions is equal to or greater than one.

- For a program using a semester, trimester, or quarter system:

$$\frac{\textit{Number of credit hours per term}}{12}$$

plus

$$\frac{\textit{Number of clock hours per week}}{24}$$

- For a program not using a semester, trimester, or quarter system:

$$\frac{\textit{Number of semester or trimester hours per academic year}}{24}$$

plus

$$\frac{\textit{Number of quarter hours per academic year}}{36}$$

plus

$$\frac{\textit{Number of clock hours per week}}{24}$$

At non-term institutions, enrollment status for a full-time student is 24 semester hours or 36 quarter hours per academic year or the prorated equivalent for a program of less than one academic year.

entrance counseling (for a student borrower)

Each institution participating in the Federal Perkins, FFEL, and Direct Loan Programs (excluding PLUS and Direct PLUS loans) must offer loan counseling to first-time student borrowers called "entrance" counseling. The institution must offer this counseling before delivering the first disbursement of any of these loans to a borrower at the institution. Entrance counseling covers the borrower's rights and responsibilities, the terms and conditions of the loan, and the consequences of default. Compare *Exit counseling (for a student borrower).*

Direct Loan schools have the option of using an alternative approach. (See CFR 685.304(a)(5).)

entrance interview (for a compliance audit)

A meeting, before the beginning of a financial aid audit, between an auditor and school administrative officials involved in the audit. Operating rules, an agenda, and a schedule for the on-site work are established. A similar

	interview is conducted by a federal official prior to conducting a program review. See *Audit.* Compare *Exit interview (for a compliance audit).*
equity ratio	Under the financial responsibility regulations, the equity ratio is: • *For proprietary schools:* $\frac{\text{Modified Equity}}{\text{Modified Assets}}$ • *For private non-profit schools:* $\frac{\text{Modified Net Assets}}{\text{Modified Assets}}$ For further definitions and other details refer to 34 CFR 668– Subpart K, Appendix F (proprietary) and Appendix G (private, nonprofit).
ESOA	See *Electronic statement of account (ESOA).*
excess cash	Any amount of Title IV program funds (other than FFEL Program or Federal Perkins Loan Program funds) that a school does not disburse to students by the end of the third business day following the date the school received the funds.
exit counseling (for a student borrower)	Each institution participating in the Federal Perkins, FFEL, and Direct Loan Programs (excluding PLUS and Direct PLUS loans) must offer loan counseling called "exit" counseling to student borrowers. For Federal Perkins borrowers, the interview must take place before the borrower leaves school. In the case of FFEL and Direct Loan student borrowers, the interview must take place shortly before the borrower ceases at least half-time enrollment. During the interview, the borrower's rights and responsibilities are reviewed, details about handling loan repayment are discussed, and the average indebtedness of the school's borrowers must be disclosed. Borrowers are also required to provide updated personal information, such as address, telephone number, employer (if known), and driver's license and state of issuance. See the *1999-2000 Student Financial Aid Handbook: Campus-Based Programs Reference and Direct Loan and FFEL Programs Reference* for complete information on loan counseling requirements. Compare *Entrance counseling (for a student borrower).*
exit interview (for a compliance audit)	A closing meeting, following completion of a financial aid audit, between an auditor and administrative officials of the school involved in the audit. General audit findings and conclusions that will be included in the audit report are discussed. A similar interview is conducted by a federal official after conducting a program review. See *Audit.* Compare *Entrance interview (for a compliance audit).*
Expected Family Contribution (EFC)	The figure that indicates how much of a family's financial resources should be available to help pay a student's postsecondary education expenses. This figure, determined according to a statutorily defined method known as

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	need analysis, is used for all students in determining eligibility for most federal Title IV student financial aid.
FAFSA (Free Application for Federal Student Aid)	A student financial aid application form completed by a student and his or her family. It is the ED input document that serves as the foundation for all need analysis computations. The FAFSA gathers all the data to calculate the Expected Family Contribution (EFC). See *Expected Family Contribution (EFC), Need analysis,* and *Renewal FAFSA.*
federal audit	A financial and/or compliance audit conducted by an office or officer of a federal agency, such as a representative from ED's Office of Inspector General.
Federal Capital Contribution (FCC)	The portion of a school's Federal Perkins Loan fund allocated to an institution by the federal government for a specific award year. Compare *Institutional Capital Contribution (ICC).*
Federal Consolidation Loan	An FFEL Program loan originated by the Student Loan Marketing Association (Sallie Mae) or other eligible lenders. The loan can combine multiple student loans made under Title IV programs, the Health Professions Student Loan (HPSL) Program, the Health Education Assistance Loan (HEAL) Program, and the Nursing Student Loan Program (NSLP) into a single loan with one monthly payment. Delinquent or defaulted borrowers may be allowed to establish a repayment schedule through a consolidation loan. *Compare Federal Direct Consolidation Loan.*
Federal Direct Consolidation Loan	A loan is arranged through ED's Direct Loan Servicing Center. The loan is designed to combine Title IV education loans (including non-Direct loans) into a single loan with one monthly repayment. Borrowers may also consolidate certain student loans provided by the U.S. Department of Health and Human Services. If borrowers consolidate defaulted loans, a new payment schedule is established. Compare *Federal Consolidation Loan.*
Federal Direct Loan Program (William D. Ford Federal Direct Loan Program)	A federal program where the U.S. government (not a commercial lender) provides four types of education loans to student and parent borrowers: • the Federal Direct Subsidized Stafford/Ford Loan, • the Federal Direct Unsubsidized Stafford/Ford Loan, • the Federal Direct PLUS Loan, and • the Federal Direct Consolidation Loan. These are also referred to collectively as Direct Loans. See individual loan names.

Federal Direct PLUS Loan	Parents may borrow from this education loan program on behalf of their dependent children. As one of the Direct Loans, Direct PLUS Loans are made directly by the federal government through students' schools. Compare *Federal PLUS Loan.*
Federal Direct Stafford/Ford Loan (subsidized)	On the basis of student financial need, this Direct Loan Program loan provides federally financed low-interest loans to students who are in undergraduate, graduate, or professional programs. During in-school, grace, and deferment periods, the federal government does not charge interest on the loan. See *Federal Direct Unsubsidized Stafford/Ford Loan.* Compare *Federal Stafford Loan (Subsidized).*
Federal Direct Unsubsidized Stafford/Ford Loan	This Direct Loan Program loan provides federally financed, low-interest loans to students who are in undergraduate, graduate, or professional programs. These loans are not based on financial need and are not government subsidized. The borrower may pay the interest charges on the loan on a quarterly basis during in-school, grace, or deferment periods, or may allow the interest to accumulate and be capitalized when repayment begins. See *Capitalizing interest* and *Federal Direct Stafford/Ford Loan (Subsidized).* Compare *Unsubsidized Federal Stafford Loan.*
Federal Family Education Loan (FFEL) Program	The Federal Family Education Loan (FFEL) Program is made up of Federal Stafford Loans (both subsidized and unsubsidized), Federal PLUS (parent) Loans, and Federal Consolidation Loans. All of these are long-term loans insured by state or private nonprofit guaranty agencies that are reimbursed by the federal government for all or part of the insurance claims paid to lenders. This guarantee replaces the collateral or security usually required with long-term consumer loans. See individual loan names.
Federal Pell Grant payment and disbursement schedules	Charts published annually by the U.S. Secretary of Education that determine the dollar value of student Federal Pell Grant awards on the basis of schools' costs of attendance (COA) and students' Expected Family Contribution (EFC).
Federal Pell Grant Program	A grant program for undergraduate students who have not completed a first baccalaureate degree. It is designed to financially assist students with need who are the least able to contribute toward their basic education expenses. Students enrolled in a teacher certification program are also eligible if they are enrolled: • at least half time, • at a school that does not offer a baccalaureate degree in education,

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- in a postbaccalaureate program not leading to a graduate degree, *and*
- in teacher certificate courses required by a state to teach in that state.

If students apply, meet all the eligibility criteria, and are enrolled in an eligible program at an eligible institution, they will receive Federal Pell Grants. Formerly, this grant was called the Basic Educational Opportunity Grant (BEOG). In 1982, it was renamed to honor Senator Claiborne Pell; later the word "Federal" was added to its name.

Federal Perkins Loan Program	This campus-based loan program provides low-interest student loans to undergraduate and graduate students with financial need. Formerly, it was called the National Direct Student Loan (NDSL) Program and originally, the National Defense Student Loan Program. In 1987, it was renamed to honor Congressman Carl D. Perkins; later the word "Federal" was added to its name. See *Campus-based programs.*
Federal PLUS Loan	Parents may borrow from this education loan program (FFEL) on behalf of their dependent children. Loans are made by lenders such as banks, credit unions, or savings and loan associations. Compare *Federal Direct PLUS Loan.*
Federal Register	The government publication, published each weekday (except federal holidays), that prints regulations, regulatory amendments, notices, and proposed regulatory changes for all federal executive agencies. ED sends reprints of excerpts from the *Federal Register* that pertain to federal student financial aid to all institutions participating in Title IV programs and makes them available on ED's Information for Financial Aid Professionals (IFAP) Web site.
Federal Stafford Loan (subsidized)	An FFEL loan program providing federally subsidized, low-interest loans to students in undergraduate, graduate, or professional programs. Subsidized loans are awarded on the basis of student financial need. The loan formerly was part of the Guaranteed Student Loan (GSL) Program. In 1987, it was renamed to honor Senator Robert T. Stafford; later, the word "Federal" was added to its name. See *Unsubsidized Federal Stafford Loan.* Compare *Federal Direct Stafford/Ford Loan (Subsidized).*
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	A campus-based aid program that provides grant assistance to students with financial need who are in undergraduate programs and have not earned a bachelor's degree or first professional degree. Priority in awarding Federal Supplemental Educational Opportunity Grant (FSEOG) funds is given to students who have exceptional financial need and are Federal Pell Grant recipients. See *Campus-based programs.*

Federal Work-Study (FWS) Program	A campus-based, federally funded employment program that provides paid jobs for undergraduate or graduate students who need such earnings to meet a portion of their education expenses. See *Campus-based programs.*
FEDWIRE	This system provides for electronic funds transfer (EFT) through the Federal Reserve Communications System (FRCS). The system differs from the automated clearinghouse (ACH) in that funds are deposited directly into a school's deposit account the day the payment is sent through the FRCS. Financial institutions charge for this type of funds transfer. (There is no charge to a school for ACH transfer.) The U.S. Treasury Department's Financial Communications System (TFCS) Deposit Message Retrieval System (DMRS) uses FEDWIRE for returning funds to ED, including: • a liability or combination of liabilities totaling $100,000 or more for a prior award year (except for some Federal Perkins Loan liabilities); • excess cash in, or liquidation of, a Federal Perkins Loan fund; *and* • ED-proposed or assessed fines of $100,000 or more. See *Automated FEDWIRE system.* Compare *Automated clearinghouse (ACH).*
Final Audit Determination (FAD)	The evaluation by ED of findings and recommendations included in an audit report and the issuance of a final decision by ED management in a Final Audit Determination Letter (FADL) relating ED's response to such findings and recommendations, including actions determined to be necessary.
Final Audit Determination Letter (FADL)	An official written notice by the Primary Action official to the auditee (the school) detailing ED's management decision, including all necessary actions and financial adjustments necessary to resolve the findings in an external audit report.
Final Program Review Determination (FPRD)	The letter ED sends to school officials to close out the program review process. The FPRD finalizes the status of findings that were outlined in the original Program Review Report, indicating those that are considered "resolved" and those the school failed to resolve. This may include assessment of liabilities the school must pay to ED. The school has the right to appeal the FPRD.
final regulations	Federal government operating rules published in the *Federal Register.* Final regulations, which have the force of law, usually take effect 45 days after the date they are published.

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	There are exceptions to the 45-day period because of the master calendar of the Higher Education Act (HEA). The master calendar gives specific dates by which federal forms are to be developed and distributed, as well as dates campus-based program funds will be allocated and Federal Pell Grant funds will be authorized for an award year. See *Federal Register* and *Notice of proposed rulemaking (NPRM).*
financial aid transcript (FAT)	A document used by institutions to collect data about Title IV aid and other financial aid received by a student at other educational institutions. Upon request by a student or his/her current school, institutions must provide completed financial aid transcripts (FATs) at no charge to students and former students. FATs are retrieved through the National Student Loan Data System (NSLDS).
financial need	The difference between the student's cost of attendance (COA) at a specific institution and what the student's family is able to pay—the Expected Family Contribution (EFC). [COA-EFC=student's financial need.] See *Cost of Attendance (COA)* and *Expected Family Contribution (EFC).*
financial responsibility	An institution must show that it has the financial responsibility to participate in federal Title IV student aid programs. Financial responsibility covers general standards as well as alternatives institutions must meet. The standards include those for proprietary, private non-profit, and public institutions and cover the past performance of an institution or persons affiliated with an institution. For further information, refer to Section 668, Subpart K of the Student Assistance General Provisions regulations; *Federal Register,* November 25, 1997; or Chapter Two of *The Blue Book.* See also *Administrative capability.*
financial statement	A report prepared at the end of a school's fiscal year that provides an overview of the institution's financial activities for that fiscal year. Financial statements are audited by an Independent Public Accountant (IPA) and submitted to the U.S. Department of Education in accordance with applicable regulations.
findings	See *Program review exceptions.*
FISAP (Fiscal Operations Report and Application to Participate)	A computer-based report on fiscal operations and an application to participate in the upcoming award year that must be submitted to ED by schools that participate in campus-based programs. A school may submit the data using either a personal computer or a mainframe computer. See *FISAP (Fiscal Operations Report and Application to Participate).* See *Campus-based programs.*

fiscal operations	Activities related to managing and completing financial transactions. Funds management, including student accounts, is the primary responsibility of an institution's business office.
forbearance (on a loan)	When a Federal Family Education Loan (FFEL) Program lender (or the U.S. Department of Education for Direct Loans) allows a *temporary* cessation of payments or reduction of payment amounts for subsidized or unsubsidized Federal Stafford, Federal PLUS, Federal Perkins, or any of the Direct Loans. In doing so, it allows an extended period for making payments or accepts smaller payments than were previously scheduled. Forbearance may be given for circumstances that are not covered by deferment, for example. Interest expenses continue to accrue during forbearance. Forbearance is an option of the FFEL lender or ED. However, there are a few circumstances where forbearance is mandatory for FFEL borrowers. See CFR 682.211(i) and CFR 682.211(j). Compare *Deferment (of a loan).*
William D. Ford Federal Direct Loan Program	See *Federal Direct Loan Program.*
Form PMS 270	See *Reimbursement payment method.*
Free Application for Federal Student Aid	See *FAFSA.*
fund	A self-balancing group of accounts that consists of: • assets, • liabilities, • revenues, • expenses, *and* • fund balance. Funds separated in an institution's books are limited to specific uses and are accounted for using a double-entry bookkeeping system.
Gaining Early Awareness and Readiness for Undergraduates Program (GEAR UP)	GEAR UP provides a range of early intervention services to middle schools serving a high percentage of low-income students. Partnerships are required to include a degree-granting institution of higher education, a middle school in which 50 percent of the students are eligible for free or reduced lunch, high schools where these students will ultimately enroll, and at least two community organizations. States can also be grantees.

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As a part of GEAR UP, ED provides states with grants to:

- provide or maintain a guaranteed amount of financial assistance necessary to permit eligible low-income students who obtain high school diplomas or the equivalent to attend institutions of higher education;
- provide financial incentives in cooperation with local educational agencies, institutions of higher education, community organizations, and business; and
- provide a variety of early-intervention services.

GAPS	See *Grant Administration and Payment System (GAPS).*
GEAR UP	See *Gaining Early Awareness and Readiness for Undergraduates Program.*
gift aid	Financial aid that a student is not required to repay or earn through employment. Generally, gift aid is in the form of a grant or scholarship. Compare *Self-help aid.*
grace period	The time period that begins the day after a loan recipient ceases to be enrolled at least half time and ends the day before the loan repayment period starts.
Grant Administration and Payment System (GAPS)	The ED payment system that provides financial management support services for the Title IV funds delivery system. Functions supported by GAPS include planning grant awards, obligation of award authorizations, disbursement of funds, and final grant closeout for Title IV programs.
grant programs	Gift-aid programs that require neither repayment nor a work obligation from students. Federal Title IV grant programs are the Federal Pell Grant Program, Federal Supplemental Educational Opportunity Grant (FSEOG) Program, and Leveraging Educational Assistance Partnership (LEAP) Program. See individual grant program names.
guaranty agency	A state agency or private, nonprofit institution or organization that administers the financial aid programs within the Federal Family Education Loans (FFEL) Program. A major function is to insure FFEL Program loans. Guaranty agencies are reimbursed by the federal government for all or part of insurance claims they pay to lenders.
Higher Education Act of 1965, as amended (HEA)	Landmark national higher education passed by Congress and signed by President Lyndon B. Johnson in 1965, as well as subsequent amendments and reauthorizing (extending) legislation of the statute. Title IV of the HEA authorizes the majority of the nation's federal postsecondary student financial aid programs and mandates that they be regulated and administered by the U.S. Secretary of Education. The HEA is effective for

approximately six years, requiring Congress to reauthorize it every five years or so or to extend the legislation for up to one additional year. The most recent reauthorization was in 1998. The statute's most current version, as amended, always stands as the official version of the law. See *Reauthorization* and *Title IV student financial aid.*

Higher Education Amendments of 1992	Congressional amendments and changes to the Higher Education Act of 1965, as amended (HEA), put in place during the 1992 reauthorization of the HEA. They became federal law on July 23, 1992 when President George Bush signed the bill. Sometimes referred to as "the 1992 Amendments" or "the Amendments" in second and multiple-use references.
Higher Education Amendments of 1998	Technical changes and additions to the 1992 reauthorization of the Higher Education Act (HEA) made in 1998. Although President Bill Clinton signed the bill on October 7, 1998, most of the amendments became effective on October 1, 1998. The HEA of 1998 amendments are also known as Public Law 105-244.
immediate need	A school requests funds to meet its "immediate need" for disbursing Federal Pell Grant Program, Direct Loan Program, and campus-based program awards. Immediate need is defined as the amount of funds a school needs to make disbursements to students within the next three business days. Recipients request funds as needed, for example, every three days, once a week, or whatever is appropriate. (NOTE: Immediate need does not authorize an institution to maintain a federally funded cash-on-hand balance.) See *Automated clearinghouse (ACH)* and *Automated FEDWIRE system.*
incarcerated student	A student who is serving a criminal sentence in a federal, state, or local correctional facility. A student in a less formal arrangement, such as a halfway house, home detention, or sentenced to serve only weekends, is not considered to be incarcerated. Students incarcerated in federal or state correctional facilities are not eligible to receive Title IV aid; however, students incarcerated in local correctional facilities are eligible for Federal Pell Grant, FSEOG, and LEAP funds.
independent audit	See *Audit* and *Nonfederal audit.*
independent auditor	An accountant who is a public accountant or government auditor, who must be qualified under both generally accepted auditing standards and government auditing standards, and who: • is free from personal and external impairments to independence, • is organizationally independent, *and* • maintains an independent attitude and appearance.

	See *Nonfederal audit.*
in-house control documents	Documents a school uses to meet federal record-keeping requirements for federal student financial aid programs, provide data needed for aid-related reports, and maintain a clear audit trail.
Institutional Capital Contribution (ICC)	The portion of a school's Federal Perkins Loan fund contributed by an institution. Institutional capital contributions (ICCs) must be equal to at least one-third (33 1/3 percent) of the new federal capital contribution (FCC) amount *or* one quarter (25 percent) of the combined FCC *plus* ICC. Compare *Federal Capital Contribution (FCC)* and *Program Participation Agreement (PPA).*
institutional liability	Financial penalties or repayments that an institution must pay to ED as a result of incorrect institutional action or actions. A liability is the difference between the actual expenditures reported by the institution in GAPS for an Obligation Document Number for the award year and the final allowable expenditures as determined by the auditor, program reviewer, or hearing official.
Institutional Participation and Oversight Service (IPOS)	A division in ED responsible for institutional audit resolution, program review, financial statement, analysis, initial certification, and recertification.
Institutional Student Information Record (ISIR)	An electronic output document generated by ED's Central Processing System (CPS) that summarizes information submitted on a student's Free Application for Federal Student Aid (FAFSA) and provides financial-need calculations (including the student's Expected Family Contribution [EFC]) on the basis of the submitted data. It is available to schools through the Electronic Data Exchange (EDE). The ISIR includes full applicant data and information on reject reasons, comments, and assumptions. See *Student Aid Report (SAR).*
interest benefits	The interest (benefit) payments made by ED to an FFEL Program lender on behalf of a student. These payments are made by ED at the student's subsidized Federal Stafford Loan interest rate, but only during certain periods: the student's enrollment (at least half time), the grace period, or any authorized deferment period. Interest benefits are not paid on unsubsidized Federal Stafford Loans. See *Special allowance.*
Job Location and Development (JLD) Program	Under the Job Location and Development (JLD) Program, an institution can use up to 10 percent or $50,000 (whichever is less) of its annual Federal Work-Study (FWS) Program allocation to expand off-campus job opportunities, including community-service jobs for its currently enrolled students. Jobs may be in either profit or nonprofit settings. Students in this program do not have to meet Federal Work-Study (FWS) criteria, show

	financial need, or meet other Title IV student eligibility criteria. See *Federal Work-Study (FWS) Program.*
journal	A bookkeeping method of original entry, providing a chronological record of the debit and credit elements of each transaction. As transactions occur, they are entered initially into the journal. At frequent intervals, such as daily, weekly, or at least monthly, the debits and credits recorded in the journal are transferred (posted) to the individual accounts in a ledger. See *Ledger.*
just-in-time payment method	Under this method, a school electronically submits a request for funds up to five days before the actual date of disbursement for the Federal Pell Grant Program. The request includes the date and amount of the disbursement it will make or has made to each student or parent. ED places funds in a participating school's bank account before they are needed to make student disbursements. Unlike schools using the advance payment method, these schools do not receive advance authorization of funds. In 1999-2000, this method will be tested under a pilot program by a small group of schools for the Federal Pell Grant Program.
ledger	A book of accounts in which each item of a monetary nature to be included in reports is assigned an account. Posting from a journal to the ledger results in each account having either a debit or credit balance that is shown on a particular report listing. Separate ledgers should be maintained for each program or fund. See *Journal.*
level of expenditure (LOE)	The total amount of Federal Perkins Loan funds a school is allowed to use to make loans to students and to pay administrative and collection costs in a given award year. A school's level of expenditure (LOE) is calculated by ED on the basis of funds available from a school's collection of outstanding Federal Perkins Loans, the amount of Federal Capital Contribution (FCC) the school receives, and the amount of Institutional Capital Contribution (ICC) the school provides.
Leveraging Educational Assistance Partnership (LEAP) Program	A Title IV gift-aid program jointly funded by the federal government and participating states. It provides state scholarship or grant assistance to students who show financial need. Previously it was called the State Student Incentive Grant (SSIG) Program.
limitation, suspension, or termination (LS&T)	Actions undertaken by ED against a postsecondary institution that has either: • violated the laws or regulations governing Title IV or Title VII student financial aid programs or the Program Participation Agreement or any other agreement made under the law or regulations *or*

- substantially misrepresented the nature of its educational program, its financial charges, or the employability of its graduates.

These ED actions against the institution may include proceedings on limitation, suspension, or termination (LS&T) of the school's participation in federal student financial aid programs; assessing fines up to $25,000 for each statutory or regulatory violation; and/or implementing emergency action.

A *limitation* means the postsecondary institution agrees to abide by certain specific restrictions or conditions in its administration of student financial aid programs so that it can continue to participate in any of those programs. A limitation lasts for at least 12 months and, if a postsecondary institution fails to abide by the limitation's conditions, termination proceedings may be initiated.

A *suspension* removes an institution from participating in Title IV and Title VII student financial aid programs for a period not to exceed 60 days, unless a limitation proceeding has begun. Suspension actions are used when a postsecondary institution can be expected to correct a program violation in a short time.

A *termination* ends a postsecondary institution's participation in Title IV and Title VII programs.

A *terminated institution* can be reinstated at a later date by ED to participate in Title IV and Title VII programs.

However, at least three months must elapse from the school's suspension and at least 18 months must elapse from the school's limitation or termination before an institution can request reinstatement. The request must be in writing. See *Emergency action* and *Program Participation Agreement (PPA)*.

loan

An advance of funds guaranteed by a signed promissory note in which the recipient of the funds promises to repay a specified amount under prescribed conditions.

loan disclosure statement

A statement sent to a loan borrower by the lender before or at the time it disburses a loan, as well as before the start of the repayment period. The purpose of the disclosure is to provide the borrower with thorough and accurate information about the loan terms and the consequences of default. It includes information such as the:

- amount of the loan,
- interest rate,

	• fee charges, • length of the grace period (if any), • the maximum length of the repayment, • the minimum annual repayment, • deferment conditions, *and* • the definition of default.
Loan Origination Center (LOC)	The Direct Loan contractor facility located in Montgomery, Alabama that is responsible for managing and overseeing the day-to-day operations of the Direct Loan Program.
master calendar	To assure adequate notification about, and timely delivery of, Title IV financial aid, ED operates using a master calendar defined in the Higher Education Act (HEA). This calendar gives specific dates by which federal forms will be developed and distributed, as well as dates campus-based funds will be allocated and Federal Pell Grant funds will be authorized for an award year. The master calendar determines by what dates federal financial aid regulations must be published. Refer to Section 1.8 of *The Blue Book* for further details on the master calendar.
Modernization Blueprint	A collaborative effort by financial aid administrators, higher education officials, business leaders, and students to: • reexamine customer needs, • improve and integrate customer access to information and funds, *and* • modernize federal student financial aid programs using up-to-date technology and business processes.
multiple reporting record (MRR)	A record automatically generated by the Recipient Financial Management System (RFMS) when it receives origination and disbursement records from more than one school for the same student during the same payment period. It informs a school about other schools that have submitted origination and disbursement records for the same student during that period. MRRs can also be requested by a school.
National Student Loan Data System (NSLDS)	An ED database that collects and maintains data on recipients from: • the Federal Family Education Loan (FFEL) Program, • the William D. Ford Federal Direct Loan Program,

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- the Federal Perkins Loan Program (including National Direct, National Defense, and Income Contingent Loans),
- the Federal Pell Grant Program, and
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

This database is updated weekly or monthly using information provided by:

- ED's Central Processing System (CPS),
- ED's Debt Collection Service (DCS),
- ED's Postsecondary Education Participant System (PEPS),
- ED's Direct Loan Servicing Center (LSC),
- ED's Recipient Financial Management System (RFMS),
- schools,
- lenders, and
- guaranty agencies.

nationally recognized accrediting agency or association

An independent organization that monitors schools' practices and that certifies or approves schools to operate and/or offer certain programs of study. For schools participating in Title IV programs, these organizations must be approved by the U.S. Secretary of Education. See *Site visit.*

need analysis

The statutorily defined method for determining Expected Family Contributions (EFCs) for all students applying for federal student financial aid. See *Cost of Attendance (COA)* and *Expected Family Contribution (EFC).*

net income ratio

Under the financial responsibility regulations, the equity ratio is:

- *For proprietary schools:* $\frac{\text{Income Before Taxes}}{\text{Total Revenue}}$
- *For private non-profit schools:* $\frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenue}}$

For further definitions and other details refer to 34 CFR 668–Subpart K, Appendix F (proprietary) and Appendix G (private, nonprofit).

nonfederal audit

An institutional financial statement and/or compliance audit conducted by an independent public accountant (as defined by the audit standards of the U.S. General Accounting Office) who has been hired by the institution.

	Also called an independent audit or an OMB Circular A-133 audit. See *Audit* and *Independent auditor.*
nonfederal share	The portion of campus-based program funds that a school must contribute from a nonfederal source (usually the portion comes from the school itself). For Title IV campus-based programs, a nonfederal source must contribute amounts equal to at least one-third (33 1/3 percent) of the federal contribution to the school's Federal Perkins Loan fund; one-quarter (25 percent) of Federal Work-Study (FWS) awards; and one-quarter (25 percent) of Federal Supplemental Educational Opportunity Grant (FSEOG) awards.
Notice of Proposed Rulemaking (NPRM)	Notice printed in the *Federal Register* of proposed regulations from a government agency, such as ED. Interested parties are invited to submit comments and recommendations about proposed regulations. All proposed regulations are subject to this process, including issues to be negotiated. • The exception is if ED determines that it is impractical, unnecessary, or contrary to the public interest to publish proposed regulations and publishes the basis for its determination. See *Federal Register* and *Final regulations.*
official notice of funding	A computer-generated letter a school receives from ED that lists final allocation amounts for each federal campus-based financial aid program a school administers. The notice, which must be sent by April 1, notifies the school of the allocation amounts it will receive for the upcoming award year, which begins the following July 1.
operator-assisted mode	One of the two modes schools and other GAPS recipients use to request funds from GAPS under the automated clearinghouse (ACH). As the name implies, recipients speak directly to an operator to request funds. Compare *Automated voice response (AVR).*
order of return of Title IV funds	Requires that funds are credited to outstanding loan balances for the payment period or period of enrollment for which a return of funds is required and that the funds are returned in the following order: 1. Unsubsidized Federal Stafford Loans 2. Subsidized Federal Stafford Loans 3. Unsubsidized Direct Stafford Loans (other than PLUS loans) 4. Subsidized Direct Stafford Loans 5. Perkins Loans

6. Federal PLUS Loans
7. Direct PLUS Loans

If funds remain after repaying all loan amounts, the remaining funds must be credited in the following order:

1. Federal Pell Grants for the payment period for which a return of funds is required.
2. Federal Supplement Educational Opportunity Grant (FSEOG) for the payment period for which a return of funds is required,
3. Other assistance under this Title for which a return of funds is required.

This order in returning funds is effective on October 7, 2000 or earlier if the school chooses to implement the "Return of Title IV aid" provisions before that date.

origination record (Direct Loan)

Data collected from the borrower and entered into a loan origination record. The record:

- is part of the borrower's permanent loan record,
- consists of the required demographic, financial, and statistical information,
- is the initial record required to "book" a loan, and
- must be created while the borrower meets all eligibility requirements.

These records are created electronically using either software provided by ED or other software that meets ED's specifications.

origination record (RFMS)

A record that reports to the Recipient Financial Management System (RFMS) expected award information about each student who may receive a Federal Pell Grant. It also verifies a student's eligibility for a Pell Grant.

overpayment

Any financial aid amount paid to a student in excess of the amount the student is eligible to receive. This situation may arise due to a student's change in enrollment status, withdrawal, or change in financial situation. Except for Federal Work-Study funds, the student would be required to repay excess funds received *unless* adjustments could be made to the student's aid during subsequent payment periods within the same award year. See *Repayment.*

packaging	The process of assembling one or more financial aid awards of loans, grants and/or scholarships, as well as employment, for a student; also referred to as award packaging.
payment period	A school-defined length of time for which financial aid funds are paid to a student. For programs using academic terms, a payment period is equal to a term. For programs not using academic terms, schools must designate at least two payment periods within an academic year that meets all applicable regulations. In the Federal Family Education Loan (FFEL) Program and campus-based programs, a payment period is the time between the beginning and midpoint and between the midpoint and the end of the academic year or non-traditional program calendar. The Federal Pell Grant Program payment period is defined in 34 CFR 690.3 of the Federal Pell Grant regulations. The concept of a payment period is not used in the Direct Loan Program. Compare *Enrollment period.*
peer evaluation	An objective review of an institution's policies, procedures, and practices by a financial aid administrator from another school or by a consultant. Peer evaluations also allow first-hand observations and comparisons of how comparable institutions carry out financial aid responsibilities.
Pell Grant	See *Federal Pell Grant Program.*
period of enrollment	See *Enrollment period.*
Perkins Loan	See *Federal Perkins Loan Program.*
PLUS Loan	See *Federal Direct PLUS Loan* and *Federal PLUS Loan.*
policies and procedures manual	An in-house manual that helps an institution effectively and consistently manage financial aid using a compilation of written policies and procedures. Although ED does not require such a manual be used, it recommends that a school compile one, especially as federal financial aid regulations require schools to have, maintain, and disclose certain written policies.
posting	Transferring the debits and credits from a journal to the proper control and subsidiary ledger accounts. Each amount recorded in the debit column of a journal is posted by entering it on the debit side of the appropriate ledger account, and each amount recorded in the credit column of the journal is posted by entering it on the credit side of the appropriate ledger account.
primary reserve ratio	Under the financial responsibility regulations, the equity ratio is: • *For proprietary schools:* $\frac{\text{Adjusted Equity}}{\text{Total Expenses}}$

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- *For private non-profit schools:* $\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$

For further definitions and other details refer to 34 CFR 668–Subpart K, Appendix F (proprietary) and Appendix G (private, nonprofit).

principal and interest	Principal is the loan amount borrowed. Interest is the amount the FFEL lender *or* ED for Direct Loans *or* the postsecondary institution for Perkins Loans charges a borrower for using the money. Interest rates are usually stated in annual percentages. A loan must be repaid; both principal and interest are included in the repayment made by the borrower to the lender *or* ED *or* the school.
prior year recoveries	Funds a school recovers in a given award year from money disbursed in prior award years. Institutions must adjust award expenditures and administrative cost allowances (ACAs) in award years in which recoveries are made. See *Administrative cost allowance (ACA).*
Program Participation Agreement (PPA)	A written agreement that must be signed by both a top official at an institution and a representative of the U.S. Secretary of Education that permits the institution to participate in one or more federal student financial aid programs (other than the Leveraging Educational Assistance Partnership [LEAP] Program). The signed agreement makes the institution's initial and continued eligibility to participate in Title IV programs conditional on compliance with all provisions of the applicable laws and program regulations. This agreement may have to be updated periodically due to changes at the institution; schools also have to be recertified at regular intervals. See *Emergency action* and *Limitation, suspension, or termination (LS&T).*
program review	The process in which the management of one or more federal financial aid programs at an institution is reviewed by ED or a guaranty agency. A program review assesses the institution's compliance with federal laws and regulations and its own school policies. The process may also review the institution's overall management and administrative capabilities.
program review exceptions	Institutional policies, procedures, or actions related to federal student financial aid programs cited in a program review report as being contrary to federal laws or regulations that govern the programs. Also referred to as findings.
Project Easy Access for Students and Institutions (EASI)	See *Modernization Blueprint.*

promissory note	A contract between a lender and a borrower that contains the terms and conditions of the loan, including how the loan must be repaid. It becomes legally binding when signed (executed) by the borrower.
Quality Assurance Program (QAP)	An ED initiative to promote quality in administering Title IV Programs. Schools designated as QAP participants implement a formal quality assurance program that includes a management self-assessment, annual measurement, and quality improvement components. Schools that participate in QAP are exempt from certain ED reporting and verification requirements if their institutional quality assurance measures duplicate these requirements.
reauthorization	The process of continuing and changing current legislation because the existing law has expired and has to be reenacted. It is conducted every five to seven years in the case of the Higher Education Act (HEA), during which time Congress reviews and then renews, terminates, or amends existing programs. (The most recent HEA reauthorization was in 1998.) See *Higher Education Act of 1965, as Amended (HEA)* and *Title IV student financial aid.*
Recipient Financial Management System (RFMS)	An ED system that processes Pell Grant payment data, alerts schools to any errors, and makes any needed adjustments to a school's Pell authorization level on the basis of reports of actual disbursements.
reconciliation of cash	A confirmation that the cash amount shown in a school's accounting records agrees with the cash amount reported by the bank. Prompt and thorough cash reconciliation helps ensure the ongoing accuracy of a school's internal-control accounting system.
reconciliation of federal funds	Balancing the school's records of federal funds received, expended, and returned against ED's records. A reconciliation should be performed monthly to ensure that reported expenditures, the trial balance, ED's year-to-date summary for the Pell Grant Program, the school's FISAP (Fiscal Operations Report and Application to Participate) for the campus-based programs, and any other allocation (other than Title IV student financial aid) are in agreement. There should also be a yearly reconciliation of the same items that should be included in the school's most recent audit. The reconciliation process is different in the Direct Loan Program (see Chapter 6 of *The Blue Book*). See also *Trial Balance.*
refund	This often refers to that portion of funds credited to a student's school account to cover institutional charges that the school returns to ED, a lender, or the student, if the student withdraws from, is expelled from, or drops out of school. If the student received any federal Title IV aid (other than Federal Work-Study), by law, a part of the refund must go to that Title IV program(s). "Refund" also can mean the return of interest or excess

	cash to ED from GAPS drawdowns or the return of audit and program review liabilities and fines. See *Timely processing of refunds and repayments.*
refund policy	A school policy that determines the conditions under which a student is entitled to a refund of payments made to the school on the student's behalf and the amount of that refund. All schools participating in Title IV programs are required to have a fair and equitable refund policy, as described in Section 668.22 of the Student Assistance General Provisions regulations. A school's policy must provide a refund to Title IV recipients that is at least as much as the amount derived using (1) the requirements of applicable state law, (2) the refund requirements established by the school's nationally recognized accrediting agency and approved by ED, or (3) the statutory *pro rata* refund calculation defined by the 1992 reauthorization of the Higher Education Act. See *Return of Title IV funds.*
regular student	A person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution.
reimbursement payment method	A method certain schools are required to use to receive federal financial aid funds from ED. Rather than drawing down Title IV funds *before* disbursing them to students, a school submits Form PMS 270, "Request for Advance or Reimbursement," to ED to be reimbursed for the funds it has expended *after* making aid disbursements to students. If the request is approved, the ED regional office processes a payment request in GAPS. Payment is made by ACH/EFT.
rejected (Pell payment data)	A category of Federal Pell Grant processed payment data that contains unacceptable or incomplete information that is rejected by RFMS. An institution must correct the records and resubmit them to the CPS.
releasing campus-based program funds	Action by ED reducing all or part of an institution's allocation for a Title IV program. This reduction usually results from an institution releasing funds back to the federal government that will not be used during the period for which the funds were allocated. See *Allocation* and *Supplemental appropriation.*
Renewal FAFSA	A partially complete application form to be updated by a current federal financial aid applicant to be eligible to receive Title IV financial aid for the upcoming (next) award year. To use the Renewal FAFSA, the student must have submitted a FAFSA applying for (although not necessarily receiving or accepting) federal financial aid for the preceding award year. A student may access his or her Renewal FAFSA on the Web. Alternatively, a renewal aid application can be mailed directly to the student by the school or Central Processing System (CPS) to be completed and returned to the CPS. See *FAFSA (Free Application For Federal Student Aid).*

repayment	When a financial aid recipient who has received federal Title IV cash or EFT disbursement(s) withdraws from school, the school must determine whether the student owes a repayment to the federal government. If the cash disbursement (excluding Federal Work-Study [FWS], FFEL Program loans, and Direct Loans) was greater than the amount of the student's expenses before the student withdrew from school, the difference is considered an overpayment that must be repaid. A portion of the overpayment must be collected from the student and returned to federal Title IV programs as outlined in the federal repayment distribution formula. See *Distribution formula, Overpayment,* and *Timely processing of refunds and repayments.*
repayment policy	The institutionally established policy that determines the amount of education-related expenses (non-institutional costs) reasonably incurred during a student's actual period of attendance. See *Distribution formula, Overpayment,* and *Repayment.*
repayment schedule	A *specific timetable,* using the borrower's repayment plan as its basis, that details the amount of loan principal and interest due in each repayment installment and the number of payments that will be required to pay off the loan in full. Additionally, a repayment schedule traditionally lists the loan's interest rate, the due date of the first loan payment, and the frequency of loan payments.
return of Title IV funds	When a recipient of Title IV aid withdraws from an institution during a payment period or an enrollment period in which the recipient began attendance, the institution must calculate the amount of Title IV aid the recipient did not earn. Unearned Title IV funds must be returned to the Title IV programs. This provision is effective on October 7, 2000 or earlier if the school chooses to implement it before that date.
RFMS	See *Recipient Financial Management System (RFMS).*
satisfactory academic progress (SAP)	A satisfactory rate of student course-completion determined using qualitative and quantitative measures. By law, schools whose students receive Title IV funds must create policies for monitoring satisfactory academic progress (SAP). Schools must check at least once a year and document for each payment period that their students receiving Title IV aid are making satisfactory academic progress.
self-evaluation	A school's regularly scheduled in-house evaluation of the way it administers its student financial aid program. A self-evaluation is undertaken in an effort to detect any problems early on and resolve them.
self-help aid	Student financial aid loan programs where funds must be repaid *or* employment-opportunity programs awarded to students. Compare *Gift aid.*

separation of functions	As a part of administering federal student financial aid programs, a school is required to establish and maintain a checks-and-balances internal-control system ensuring that no single school office can both authorize payments and disburse funds to students. Often this required separation is created by dividing the functions between the school's financial aid office and the school's business office.
single-entry bookkeeping	The system used, for example, in a personal checkbook where generally only records of cash and of personal accounts are maintained. Where transactions are infrequent and receivables, payables, and assets other than cash are few, carefully maintained single-entry records may be adequate. See *Bookkeeping.*
site visit	A visit to a school during which an independent auditor, nationally recognized accrediting agency, and/or ED seeks to understand the school's physical plant, enrollment, student financial aid application process, and methods of monitoring student attendance. See *Independent audit* and *Nationally recognized accrediting agency or association.*
skip tracing	Traditionally, searching for someone with unpaid debts who has left hurriedly or secretly ("skipped") without leaving a forwarding address. In a federal financial aid context, this is when, for whatever reason, a loan borrower no longer lives at the address where the Direct Loan Servicing Center or a lender or school is sending loan billing notices, and the Direct Loan Servicing Center or lender or school must attempt to locate the borrower's correct address. In the search, the law allows the use of any information obtained from the borrower while the borrower was at the school (such as data taken from applications and files), as well as information gleaned from any school office (including the registrar's office and the alumni office). If the borrower still cannot be located using information from the school (or otherwise available to the lender), the lender or school must use ED's free skip-tracing service to try to locate the missing loan borrower.
special allowance	A percentage of the average unpaid principal balance paid to the lender of an FFEL Program loan by ED. In effect, ED pays extra interest on the loan to the lender in addition to the base interest charged on subsidized and unsubsidized loans. This amount makes up the difference between the rates charged to FFEL Program borrowers and market interest rates. The amount of the special allowance is set by a statutory formula related to 91-day Treasury bill rates.
special disbursement record	A disbursement record that reports information, such as the cost of attendance and enrollment status, to allow ED's Recipient Financial Management System (RFMS) to recalculate a Federal Pell Grant

	disbursement for a particular payment period. Institutions on the reimbursement payment method or cash monitoring payment method are required to send special disbursement records. This is optional for all other schools.
SSIG	See *Leveraging Educational Assistance Partnership (LEAP) Program.*
Stafford Loan	See *Federal Direct Stafford/Ford Loan (subsidized), Federal Direct Unsubsidized Stafford/Ford Loan, Federal Stafford Loan (subsidized),* and *Unsubsidized Federal Stafford Loan.*
Student Aid Internet Gateway (SAIG)	As the Title IV Wide Area Network (TIV WAN) is being redesigned to accommodate Internet traffic between Title IV customers and Title IV application systems, TIV WAN is being renamed the Student Aid Internet Gateway (SAIG). TIV WAN will become SAIG when the current ED contract with National Computer Systems expires in June 2001.
student aid master record	An institutional record containing information for an in-school student for each award year. The institution records all basic information relating to all student aid programs, including institutional and other aid programs, on the master record.
Student Aid Report (SAR)	The report sent directly to a student from ED's Central Processing System (CPS) that summarizes information submitted on the student's Free Application for Federal Student Aid (FAFSA) and provides financial-need calculations (including the student's Expected Family Contribution [EFC]) based on the submitted figures. The SAR has two parts: Part 1 is the Student Information Summary. Part 2, the Information Review Form or Information Request Form, is where the student can make any needed corrections or information changes. The student makes the corrections and returns Part 2 of the SAR to the CPS. The CPS will then send the student a copy of the corrected SAR. See *Institutional Student Information Record (ISIR).*
Student Financial Aid Handbook	An ED publication that explains procedures schools should follow in administering federal student financial aid programs. Some of these procedures are required by laws and regulations, while other procedures are necessary for the various Title IV programs reporting systems. For the 1999-2000 award year and beyond, the Handbook will consist of two core pieces and four references that will be published individually and successively by ED each year.
Student Status Confirmation Report (SSCR)	All schools participating in any of the Title IV programs, as well as nonparticipating schools eligible to process Title IV loan deferments, must submit a Student Status Confirmation Report (SSCR) to the National Student Loan Data System (NSLDS) via the Title IV WAN.

	The SSCR is used as a monitoring device to help determine when student borrowers must begin repaying their student loans. When a student's enrollment status changes in any way that affects his or her deferment privileges, schools must notify the Direct Loan servicer or lender of the change within 30 days through an ad hoc report, unless a school has a regularly scheduled SSCR Roster File due within the next 60 days.
subsidiary accounts	Accounts related to the control account that support in detail the summary transactions posted in the control account. See *Control account.*
subsidiary records	Institutional records that must exist to support the totals in each Title IV financial aid program account. Reconciliation between accounts and subsidiary record detail should be performed at least once a month, as required by some Title IV programs.
supplemental appropriation	An additional allocation of available funds for one or more campus-based programs that may be given to a school on the basis of the school's need for additional funds. Supplemental allocations are made after schools release unexpended campus-based funds at the end of an award year. See *Allocation, Appropriation,* and *Releasing campus-based program funds.*
T-account	A short method accountants use to illustrate ledger accounts, alleviating the tedious reproduction of accounts as they actually appear in an institution's ledger. Accountants use the t-account as a worksheet to check the debit and credit balances of individual ledger accounts and to trace posting of transactions to the various ledger accounts. See *Contra account.*
timely processing of refunds and repayments	Schools must notify students and loan lenders, in writing, when financial aid is refunded or repaid to Title IV programs. Schools must return refund or repayment portions to the Direct Loan Program, the Federal Pell Grant Program, and campus-based program accounts within 30 days of a student's withdrawal date and, under the FFEL Program, return proceeds to the lender within 60 days of a withdrawal date. If an audit or program review reveals that a school is not meeting the deadlines for returning refunds and repayments to Title IV accounts, the school incurs a financial liability. See *Refund* and *Repayment.*
Title IV student financial aid	Federal financial aid programs for students attending postsecondary educational institutions, authorized under Title IV of the Higher Education Act of 1965, as amended (HEA). The programs are administered by the U.S. Department of Education. Title IV programs consist of: • Academic Achievement Incentive Scholarship Program, • Federal Pell Grant Program,

- Federal Supplemental Educational Opportunity Grant (FSEOG) Program,
- Federal Work-Study (FWS) Program,
- Federal Perkins Loan Program,
- Federal Family Education Loan (FFEL) Program loans,
- Gaining Early Awareness and Readiness for Undergraduates Program (GEAR-UP) grants,
- Leveraging Educational Assistance Partnership (LEAP) Program grants,
- William D. Ford Federal Direct Loans, *and*
- Robert C. Byrd Honors Scholarships.

See *Higher Education Act of 1965, as amended (HEA).*

Title IV Wide Area Network (TIV WAN)	ED network that provides an electronic link between schools and ED's databases. See *Student Aid Internet Gateway.*
trial balance	A comparison of debit and credit balances and the addition of account balances. A successful trial balance for the Title IV programs is a confirmation that accounts receivable, program expenditures, and cash balances equal the amounts authorized. The purpose of a trial balance is to check that the dollar amounts of debits and credits are equal in the general ledger accounts. This is a useful tool for catching many types of errors, but having a trial balance in balance, in and of itself, is not an assurance that other accounting errors haven't been made. Taking a trial balance should be performed at least monthly. See *Reconciliation of federal funds.*
unearned aid	The difference between Title IV aid that was disbursed or could be disbursed for the payment period and the amount of Title IV aid that was earned.
Unsubsidized Federal Stafford Loan	A federal student loan program (FFEL) that provides low-interest loans to students in undergraduate, graduate, and professional programs. Unsubsidized loans are not awarded on the basis of financial need. Interest on an unsubsidized loan is charged to the borrower throughout the life of the loan. See *Capitalizing interest* and *Federal Stafford Loan (Subsidized).* Compare *Federal Direct Unsubsidized Stafford/Ford Loan.*
User's Guide	A technical reference publication produced by ED and designed to support or assist recipients using electronic systems such as EDE, TIV WAN, and FEDWIRE.

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verification	The technical and administrative procedures for detecting and resolving inaccuracies in data a student (and family) supplied on the Free Application for Federal Student Aid (FAFSA) when applying for Title IV aid.

Chapter B

Acronyms

AAFS	Access America for Students
ACA	Administrative Cost Allowance
ACH/EFT	Automated Clearinghouse/Electronic Funds Transfer
ACN	Audit Control Number
AFMS	Account and Financial Management Service (in the U.S. Department of Education)
AICPA	American Institute of Certified Public Accountants
ARB	Audit Resolution Branch (in the U.S. Department of Education)
ARMG	Accounts Receivable Management Group (in Financial Services [FS] of the U.S. Department of Education)
AVR	Automated Voice Response (touch-tone telephone)
AY	Academic Year
CAM	Client Account Manager (Direct Loans)
CAN	Common Accounting Number
CAP	Corrective Action Plan
CEO	Chief Executive Officer
CFO	Chief Fiscal/Financial Officer
CFR	*Code of Federal Regulations*
COA	Cost of Attendance
COO	Chief Operating Officer
CPA	Certified Public Accountant
CPS	Central Processing System

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CR	Credit
CS/JLD	Community Service Job Location and Development [Program]
CSL	Community Service Learning [Program] (self-help employment)
DB	Debit
DCS	Debt Collection Service (in the U.S. Department of Education)
DLSAS	Direct Loan School Account Statement
DLSC	Direct Loan Servicing Center
DMRS	Deposit Message Retrieval System
DRN	Data Release Number
DUNS	Data Universal Numbering System
EAC	Electronic Access Code
EASI	Easy Access for Students and Institutions
ECAR	Eligibility and Certification Approval Report
ED	U.S. Department of Education
EDCAPS	Education Central Automated Processing System
EDE	Electronic Data Exchange
EDGAR	U.S. Department of Education General Administrative Regulations
EDP	Electronic Data Processing
EFC	Expected Family Contribution
EFT	Electronic Funds Transfer (see also *ACH/EFT*)
EIN	Employer Identification Number
EPI	Electronic Payment Information
ESOA	Electronic Statement of Account
EST	Eastern Standard Time
ET	Eastern Time
FAA	Financial Aid Administrator

FAD	Final Audit Determination
FADL	Final Audit Determination Letter
FAFSA	Free Application for Federal Student Aid
FAO	Financial Aid Officer
FARM	*Financial Accounting and Reporting Manual [for Higher Education]*
FASB	Financial Accounting Standards Board
FAT	Financial Aid Transcript
FCC	Federal Capital Contribution
FEDWIRE	U.S. Treasury Financial Communication System/Deposit Message Retrieval System *or* Federal Reserve Communications System (not a U.S. Treasury wire transfer system)
FERPA	Family Education Rights and Privacy Act
FFEL	Federal Family Education Loan [Program]
FFY	Federal Fiscal Year
FISAP	Fiscal Operations Report and Application to Participate
FPL	Federal Perkins Loan
FPRD	Final Program Review Determination (letter)
FRB	Federal Reserve Bank
FRCS	Federal Reserve Communications System
FROE	Final Report of Expenditures
FSEOG	Federal Supplemental Educational Opportunity Grant
FWS	Federal Work-Study
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	General Accounting Office
GAPS	Grant Administration and Payment System

GAS	Government Auditing Standards
GASB	Governmental Accounting Standards Board
GEAR UP	Gaining Early Awareness and Readiness for Undergraduates Program
HBCUs	Historically Black Colleges and Universities
HEA	Higher Education Act of 1965, as amended
HPSL	Health Professions Student Loan [Program]
ICC	Institutional Capital Contribution
IPA	Independent Public Auditor
IPOS	Institutional Participation Oversight Service (in the U.S. Department of Education)
ISIR	Institutional Student Information Record
JLD	Job Location and Development [programs]—these include the regular Job Location and Development Program and the Community Service Job Location and Development (CS/JLD) Program
LEAP	Leveraging Educational Awareness Partnership [Program]
LOA	Leave of Absence
LOC	Direct Loan Origination Center
LOE	Level of Expenditure (in the Federal Perkins Loan Program)
LS&T	Limit, Suspend, or Terminate *or* Limitation, Suspension, or Termination
MRR	Multiple Reporting Record
NACUBO	National Association of College and University Business Officers
NASEA	National Association of Student Employment Administrators
NASFAA	National Association of Student Financial Aid Administrators
NDSL	National Direct Student Loan Program *or* National Defense Student Loan Program
NFC	National Finance Center
NPRM	Notice of Proposed Rulemaking
NSF	Non-Sufficient Funds

NSLDS	National Student Loan Data System
OC	Object Classification [Code]
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General (in the U.S. Department of Education)
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education (in the U.S. Department of Education)
OPE-ID	Office of Postsecondary Education Identifier
OSFAP	Office of Student Financial Assistance Programs (in the U.S. Department of Education)
PAN	Payee Account Number
PBO	Performance Based Organization
PEPS	Postsecondary Education Participation System
PIN	Payee Identification Number
P.L.	Public Law
POP	Potential Overpayment Project
POS	Payment for Origination Services
PPA	Program Participation Agreement
QAP	Quality Assurance Program
RCRT	Receivables and Cash Receipts Team
RFMS	Recipient Financial Management System
RIGA	Regional Inspector General for Audit
SAIG	Student Aid Internet Gateway (successor to TIV WAN)
SAP	Satisfactory Academic Progress
SAR	Student Aid Report
SAS	Statement on Auditing Standards
SCP	Scheduled Cash Payment

SFA	Student Financial Aid
SII	Single Identifier Initiative
SLEAP	Special Leveraging Educational Assistance Partnership [Program]
SRK	Student Right-to-Know Act
SSCR	Student Status Confirmation Report
TFCS	U.S. Treasury Financial Communications System
TFM	Treasury Financial Manual
Title IV WAN or TIV WAN	Title IV Wide Area Network
TRA	Taxpayer Relief Act [of 1997]

Appendix C

Key Resources

U.S. Department of Education Publications

Reference:

- http://ifap.ed.gov
  - OIG Nonfederal Audit Team Homepage
  - SFA Audits
  - School/Servicer Audit Guide

Audit Guide of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers, July 1997

Assists independent public auditors (IPAs) in performing audits of student financial assistance programs. It provides:

- general information about engagement planning and other considerations,
- compliance requirements and management's assertions that must be reported by the IPA, and
- reporting requirements.

Compilation of Student Financial Aid Regulations

Produced at the end of each calendar year; it consists of the regulations for the student financial assistance programs administered by the Office of Postsecondary Education within the U.S. Department of Education (ED).

Federal Register

Published every business day by the National Archives and Records Administration (NARA); it contains federal agency regulations (including ED's), proposed rules and notices, executive orders, proclamations, and other Presidential documents.

Reference:

- http://gapsweb.ed.gov
  - click on GAPS Training

GAPS Training Website

Designed to be used as a Web site tutorial for the Grant Administration and Payment System (GAPS). The GAPS training Web site allows users to become familiar with the various GAPS screens and data contained within those screens.

Reference:

- http://ifap.ed.gov

Student Financial Aid Handbook

Serves as ED's comprehensive source on:

- Institutional Eligibility and Participation
- Student Eligibility
- Federal Pell Grant Program Reference
- Campus-Based Program Reference
- State Grant Programs Reference
- Direct Loan and FFEL Programs Reference

Explains the policies and procedures required to properly administer ED's student financial assistance (SFA) programs. Defined in law, in regulations, or as guidance from ED, these policies and procedures facilitate effective operation of the federal processing system and reporting systems for individual programs.

Reference:

- http://gapsweb.ed.gov
  - click on Downloads
  - click on Payee's Guide

U.S. Department of Education Payee Guide for Grant Administration and Payment System (GAPS)

Provides information on the operations and procedures for grants and contracts that are paid through GAPS. It helps an institution understand its responsibilities in expending payments and managing federal cash received through GAPS.

Non-U.S. Department of Education Publications

Government Printing Office (GPO)

Reference:

- http://www.whitehouse.gov/WH/EOP/omb/html/ombhome.html
  - click on OMB Documents

Audits of States, Local Governments, and Non-Profit Organizations, OMB Circular A-133, June 1997

Sets forth standards for obtaining consistency and uniformity among federal agencies for audits of states, local governments, and non-profit organizations expending federal awards.

Reference:

- www.gpo.gov
- GPO Stock Number: 020-000-00243-3

Government Auditing Standards, 1994 Revision

Contains standards for audits of government organizations, programs, activities, and functions, and of government assistance received by contractors, nonprofit organizations, and other non-government organizations.

National Association of College and University Business Officers (NACUBO)

Reference:

- www.nacubo.org
  - click on Markertplace

Audits of Federal Student Financial Aid Programs, 1998 Edition

Bridges the gap between the OMB Circular A-133 Compliance Supplement and the detailed regulations governing the operation and management of the federal student financial aid programs.

Reference:

- NACUBO Publications Department (301) 362-8198

Basic Institutional Accounting Package

Serves as a resource tool for an extensive and thorough introduction to college and university accounting.

Reference:

- www.nacubo.org

College and University Business Administration (CUBA)

Serves as the "bible" of theory and policy for higher education business and financial management.

Consolidating Financial Statements

Discusses recent changes in financial accounting standards affecting consolidation of financial statements. It also helps officials evaluate their institutions' financial relationships with nonprofit and for-profit entities.

Federal Auditing Information Service for Higher Education

Designed as a loose-leaf manual, it provides detailed instructions on protecting an institution's rights and interests under OMB Circular A-133.

Financial Accounting and Reporting Manual (FARM) for Higher Education

Provides the most up-to-date resource available for higher education issues and sets forth detailed information from the American Institute of Certified Public Accountants (AICPA), Financial Accounting Standards Board (FASB), and Governmental Accounting Standards Board (GASB).

Guidelines for Filing IRS Forms 990 and 990-T

Guides administrators of colleges, universities, and other nonprofit organizations through preparation of IRS Form 990, Schedule A (Form 990), and 990-T.

Managerial Financial Reporting

Explains the principles, characteristics, and many alternatives of colleges and universities financial reporting within the context of diverse institutional managerial financial needs.

Managing Federal Grants

Tracks the life of a grant from solicitation to audit and audit resolution.

NACUBO Guide to IRS Audits: A Manual for Colleges and Universities

Designed to keep institutions well informed about tax rules and address their rights as taxpayers.

Nonresident Alien Tax Compliance: A Guide for Institutions Making Payments to Foreign Students, Scholars, Employees, and Other International Visitors

Thoroughly covers the withholding and reporting obligations of institutions making payments to nonresident aliens.

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Reference:

- www.nacubo.org

Process Guide to Information Reporting for the Hope and Lifetime Learning Tax Credits

Helps colleges and universities comply with reporting requirements for the Hope and Lifetime Learning tax credits under the Taxpayer Relief Act (TRA) of 1997.

Selecting an Auditor

Guides an institution through the process of selecting and evaluating an auditor.

Student Loan Programs: Management and Collection, 2nd Edition

Incorporates regulatory requirements with practical advice on managing student loan programs.

Reference:

- www.nasfaa.org

Reference:

- NASFAA
  Washington, DC
  (202) 785-0453

National Association of Student Financial Aid Administrators (NASFAA)

Self-Evaluation Guide

Helps schools develop comprehensive evaluation systems. This publication provides a step-by-step outline for reviewing financial aid and fiscal policies, procedures, and practices.

Other Resources

Reference:

- www.aicpa.org

American Institute of Certified Public Accountants (AICPA)
1211 Avenue of the Americas
New York, NY 10036-8775

telephone: (212) 596-6200
fax: (212) 596-6213

Reference:

- www.fasb.org

Financial Accounting Standards Board (FASB)
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

telephone: (203) 847-0700
fax: (203) 849-9714

Reference:

- www.gasb.org

Governmental Accounting Standards Board (GASB)
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

telephone: (203) 847-0700
fax: (203) 849-9714

Appendix D

Technical Assistance Directory

Central Processing System (CPS) Customer Service

Schools can contact CPS customer service at 1-800-330-5947 between 7 a.m. - 7 p.m. Central Time (CT). CPS customer service assists schools with:

- processing renewal applications
- dealing with rejected Electronic Data Exchange (EDE) records and batches
- determining CPS batch status
- obtaining EDExpress software
  - application processing
  - packaging
  - Direct Loan
- obtaining software
  - AWARE
  - Pell Payment for Windows
  - SSCR 32-bit
- obtaining technical references
  - EDE
  - Packaging
  - SSCR

Grant Administration and Payment System (GAPS)

Schools can contact the GAPS Payee Hotline at 1-888-336-8930 between 8 a.m. and 8 p.m. Eastern Time.

National Student Loan Data System (NSLDS) Customer Service

Schools can contact NSLDS customer service at 1-800-999-8219 between 7 a.m. - 7 p.m. (CT). NSLDS customer service:

- assists with log on ID and password
- responds to inquiries about
  - system availability
  - processing times

  - status of a school's transmission
  - system navigation
- assists data providers if transmission problems occur when trying to obtain or provide data to NSLDS

Title IV Wide Area Network (TIV WAN) Customer Service

For assistance with TIV WAN, schools can contact TIV WAN customer service at 1-800-615-1189 between 7 a.m. - 10 p.m. (CT). TIV WAN customer service assists schools with:

- signing up for EDE enrollment and participation
- changing and resetting passwords
- correcting transmission errors
- billing and invoices
- obtaining software
  - EDConnect
  - NET*CONNECT
  - OPEnet
- obtaining software manuals and user's guides

Title IV Programs

For general information and assistance, contact the Federal Student Aid Information Center at 1-800-433-3243 (1-800-4-FED-AID) between 7 a.m. - 7 p.m. (CT). The Federal Student Aid Information Center:

- provides information on student financial aid programs
- provides assistance in completing the Free Application for Federal Student Aid (FAFSA)
- disseminates many of ED's publications

Schools can contact their ED Institutional Participation and Oversight Service (IPOS) case management team for information about:

- audit resolution
  - status of ED's final determination letter
  - final determination appeal process
  - a corrective action plan
- financial statement analysis
- program review
- recertification
- separation of functions issues

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Case Management Teams and Divisions

Team	Division	Telephone	States Served
Boston	Northeast	617-223-9338	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
New York	Northeast	212-264-4022	New Jersey, New York, Puerto Rico, and the Virgin Islands
Philadelphia	Northeast	215-656-[illegible]42	Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia
Atlanta	Southeast	404-562-6315	Alabama, Florida, Georgia, Mississippi, North Carolina, and South Carolina
Kansas City	Southeast	816-880-4053	Iowa, Kansas, Kentucky, Missouri, Nebraska, and Tennessee
Dallas	Southwest	214-880-3044	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
San Francisco	Southwest	415-556-4295	Arizona, California, Hawaii, Nevada, American Samoa, Guam, the Federated States of Micronesia, the Republic of Palau, the Republic of the Marshall Islands, and the Commonwealth of the Northern Marianas
Chicago	Northwest	312-886-8767	Illinois, Minnesota, Ohio, and Wisconsin
Seattle	Northwest	206-287-1770	Alaska, Idaho, Indiana, Oregon, and Washington
Denver	Northwest	303-844-3677	Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, and Wyoming
Foreign Schools	Northeast	202-708-8820	

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Federal Pell Grant Program

Schools can contact the Recipient Financial Management System (RFMS) at 1-800-4-P-GRANT or their Federal Pell Grant financial management specialist for questions about:

- financial information
- document requests
- batch processing status
- messages
- batch summaries
- individual record rejects
- statements of account
- year-to-date Federal Pell Grant payment data requests

Campus-Based Programs

Schools can contact the campus-based program financial management specialist serving their state for information about:

- preparing the Fiscal Operations Report and Application to Participate (FISAP)
- correcting or verifying initial data and edits from the FISAP
- interpreting tentative funding levels for their institution
- determining final authorization levels for their institution (found in their Official Notice of Funding)
- confirming final adjusted authorization levels for their institution
- releasing campus-based funds
- reporting prior year recoveries

For information on the electronic FISAP process, contact an electronic FISAP administrator at 301-565-0032 between 8:30 a.m. - 5 p.m. (ET).

Campus-Based Programs Financial Management Specialists

Contact	Telephone	States Served
Terry Brooks (Alternate: Winston Murphy)	202-708-9231 202-708-8823	Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, and Montana
Dinah Nelson (Alternate: Winston Murphy)	202-708-8759 202-708-8823	Florida, Ohio, and Pennsylvania
Carolyn Short (Alternate: Constance Daly)	202-708-9184 202-708-9227	Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, Utah, and the Virgin Islands
Mattie Gray (Alternate: Constance Daly)	202-708-8267 202-708-9927	Alabama, Alaska, Arizona, Colorado, Connecticut, Delaware, Georgia, Kentucky, Rhode Island, and Vermont
Serenia Newsom (Alternate: Constance Daly)	202-708-9233 202-708-9227	Arkansas, District of Columbia, Hawaii, Texas, Virginia, West Virginia, Wyoming, Guam, the Republic of Palau, the Republic of the Marshall Islands, and the Commonwealth of the Northern Marianas,
Joseph Morris (Alternate: Winston Murphy)	202-708-8745 202-708-8823	Idaho, Illinois, Indiana, Iowa, Kansas, and Missouri
Alice Payne (Alternate: Constance Daly)	202-708-9754 202-708-9227	California, South Carolina, Mississippi, and Puerto Rico
Mary Hubbard (Alternate: Winston Murphy)	202-708-9230 202-708-8823	North Carolina, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Washington, and Wisconsin

If you have trouble contacting either your specialist or the alternate, call 202-708-7741.

William D. Ford Direct Loan Program

Schools can contact ED's Direct Loan Task Force at 202-708-9951 between 7 a.m. - 5 p.m. (ET) for information about Direct Loan procedures and operations.

Schools can contact ED's Policy Development Division at 202-708-8242 between 7 a.m. - 5 p.m. (ET) for information about Direct Loan policies and regulations. Schools should ask the operator to transfer them to a Direct Loan policy specialist.

Schools can contact Direct Loan Customer Support at 1-800-756-4220 between 8:30 a.m. - 5:00 p.m. (ET). Direct Loan Customer Support provides information about:

- Direct Loan Technical Reference
- Direct Loan record layout
- Combo/mainframe support for Direct Loans
  - provides support to schools creating their own Direct Loan processing center
  - provides support to schools creating their own interface with EDExpress software
  - helps schools develop files to import into EDExpress

Schools should contact the Direct Loan Origination Center at 1-800-848-0978 between 7 a.m. - 7 p.m. (ET) for information about:

- reconciliation
- acknowledgements
- batch integrity errors
- promissory notes
- batch status
- rejected batches

If schools have questions about reconciliation, they can also contact the Direct Loan Origination Center.

Direct Loan
Client Account Management

Region	Address	Telephone	States Served
Region I	10 Causeway Street 3rd Floor, Room 341 Boston, MA 02222	617-565-6911	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
Region II	75 Park Place 12th Floor New York, New York 10007	212-264-8012	New Jersey, New York, Puerto Rico, and the Virgin Islands
Region III	Wanamaker Building 100 Penn Square East, Suite 513 Philadelphia, PA 19107	215-656-5929	Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia
Region IV	61 Forsyth Street, SW Room 18T20-A Atlanta, GA 30303	404-562-6259	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee
Region V	111 North Canal Street Room 830 Chicago, IL 60606-7206	312-886-8766	Illinois, Indiana, Michigan, Ohio, and Wisconsin
Region VI	1999 Bryan Street Suite 2735 Dallas, TX 75201-6817	214-880-2405	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
Region VII	7505 Tiffany Springs Parkway Suite 500 Kansas City, MO 64153-1367	816-880-4090	Iowa, Kansas, Missouri, and Nebraska
Region VIII	1391 North Speer Boulevard Suite 800-A Denver, CO 80204-2512	303-844-3677	Colorado, Minnesota, Montana, North Dakota, South Dakota, Utah, and Wyoming
Region IX	50 United Nations Plaza Room 121 San Francisco, CA 94102-4987	415-556-4201	Arizona, California, Hawaii, Nevada, American Samoa, Guam, the Federated States of Micronesia, the Republic of Palau, the Republic of the Marshall Islands, and the Commonwealth of the Northern Marianas
Region X	1000 Second Avenue Suite 1200 Seattle, WA 98104-1023	206-287-9840	Alaska, Idaho, Oregon, and Washington

Federal Family Education Loan (FFEL) Program

Schools can call the FFEL Program automated voice system at 202-205-0045 between 8:30 a.m. - 4 p.m. to get information about:

- Treasury bill rates
- PLUS Loan rates
- Stafford Loan variable rates
- lender bulletins
- Form 799
- Form 799 Explanation Manual

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